Kayne Anderson MLP Investment CO
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PROSPECTUS SUPPLEMENT
(To Prospectus Dated April 16, 2007)

$185,000,000

Auction Rate Senior Notes
$185,000,000 Series F, due July 9, 2047
$25,000 Denominations

Kayne Anderson MLP Investment Company is a non-diversified, closed-end management investment company that began investment activities on September 28, 2004. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our net assets plus any borrowings (our total assets) in energy-related master limited partnerships and their affiliates (collectively, MLPs), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies).

We are offering $185,000,000 aggregate principal amount of auction rate senior notes Series F (Series F Notes) in this Prospectus Supplement. This Prospectus Supplement does not constitute a complete prospectus, but should be read in conjunction with our Base Prospectus dated April 16, 2007, which accompanies this Prospectus Supplement. This Prospectus Supplement does not include all information that you should consider before purchasing any Series F Notes. You should read this Prospectus Supplement and our Base Prospectus before purchasing any Series F Notes.

The Series F Notes offered in this Prospectus Supplement, together with Series A, B, C and E Notes currently outstanding, are referred to as Senior Notes. Individual series of Senior Notes are referred to as a series. Except as otherwise described in this Prospectus Supplement, the terms of this series and all other series are the same.

(continued on following page)

Investing in Series F Notes involves certain risks. See Risk Factors beginning on page 11 of the accompanying Base Prospectus and The Auction Auction Risk beginning on page S-14 of this Prospectus Supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus Supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Per $25,000

	Principal Amount of Series F Notes	Total
Public offering price	$ 25,000	$ 185,000,000
Underwriting discounts and commissions	$ 250	$ 1,850,000
Proceeds, before expenses, to us(1)	$ 24,750	$ 183,150,000

(1) We estimate that we will incur approximately $175,000 in expenses in connection with this offering.

The underwriters expect to deliver the Series F Notes in book-entry form, through the facilities of The Depository Trust Company, to broker-dealers on or about June 26, 2007.

Citi **Merrill Lynch & Co.**

Stifel Nicolaus

June 22, 2007

(continued from previous page)

Capitalized terms used but not defined in this Prospectus Supplement shall have the meanings given to such terms in the Third Supplemental Indenture, dated as of June 26, 2007, between us and The Bank of New York Trust Company, N.A., as Trustee, a copy of which is available from us upon request.

We will issue Series F Notes without coupons in $25,000 denominations and any integral multiple thereof. The principal amount of Series F Notes will be due and payable on July 9, 2047 (the Stated Maturity). There is no sinking fund with respect to Series F Notes. Series F Notes will be our unsecured obligations and, upon our liquidation, dissolution or winding up, will rank: (1) senior to all of our outstanding common stock and any preferred stock (including the ARP Shares referred to below); (2) on a parity with our obligations to any unsecured creditors and any unsecured senior securities representing our indebtedness, including Series A, B, C and E Notes referred to below, additional Series F Notes and any other series of our auction rate senior notes; and (3) junior to our obligations to any secured creditors, including our obligations under our revolving credit facility. We may redeem Series F Notes prior to their Stated Maturity in certain circumstances described in this Prospectus Supplement.

Holders of Series F Notes will be entitled to receive cash interest payments at an annual rate that may vary for each rate period. The initial rate period is from the issue date through July 10, 2007. The annual interest rates for the initial rate period will be 5.15%. For subsequent rate periods, Series F Notes will pay interest at a rate determined by an auction conducted in accordance with the procedures described in this Prospectus Supplement. The initial Auction Date will be July 10, 2007. Generally, following the initial rate period, each rate period for Series F Notes will be seven (7) days.

Series F Notes will not be listed on any exchange or automated quotation system. Generally, investors only may buy and sell Series F Notes through an order placed at an auction with or through certain broker-dealers or in a secondary market that those broker-dealers may maintain. These broker-dealers are not required to maintain a market in Series F Notes, and a secondary market, in the unlikely event that one develops, may not provide investors with liquidity.

We are managed by KA Fund Advisors, LLC, a subsidiary of Kayne Anderson Capital Advisors, L.P. (together, Kayne Anderson), a leading investor in MLPs. As of May 31, 2007, Kayne Anderson and its affiliates managed approximately $8.6 billion, including approximately $4.2 billion in MLPs and other Midstream Energy Companies.

We invest in equity securities of (1) MLPs, including preferred, common and subordinated units and general partner interests, (2) owners of such interests in MLPs, and (3) other Midstream Energy Companies. Additionally, we may invest in debt securities of MLPs and other Midstream Energy Companies. Under normal market conditions, we intend to invest 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies, and may invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies.

This offering is conditioned upon Series F Notes receiving a rating of Aaa from Moody s Investors Service Inc. (Moody s) and AAA from Fitch Ratings (Fitch). Our common stock is traded on the New York Stock Exchange unde the symbol KYN.

We issued three series of auction rate senior notes due in 2045, in an aggregate principal amount of $260 million (Series A, B and C Notes), on March 28, 2005 and one series of auction rate senior notes due in 2045, in an aggregate principal amount of $60 million (Series E Notes), on December 14, 2005. Series A, B, C and E Notes are rated Aaa and AAA by Moody s and Fitch, respectively. As of May 31, 2007, the aggregate principal amount of Series A, B, C and E Notes represented approximately 14.0% of our total assets. Series A, B, C and E Notes are on a parity with each other. Series A, B, C and E Notes are referred to collectively herein as the Senior Notes. On April 12, 2005, we issued an aggregate amount of $75 million of Series D Auction Rate Preferred Stock (ARP Shares). The ARP Shares are rated Aa and AA by Moody s and Fitch, respectively. As of May 31, 2007, the aggregate amount of ARP Shares represented approximately 3.3% of our total assets. We may issue additional ARP Shares, Senior Notes or other series of our auction rate preferred stock or auction rate senior notes in the future. The ARP Shares and Senior Notes, as well as any other series of our auction rate preferred stock or auction rate senior notes, are intended to increase funds available for investment. This practice, which is known as leverage, is speculative and involves significant risks.

Series F Notes do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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Prospectus Supplement

Prospectus

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You should rely only on the information contained in this Prospectus Supplement and the accompanying Base Prospectus, which we refer to collectively as the Prospectus. This Prospectus Supplement and the accompanying Base Prospectus set forth concisely the information about us that a prospective investor ought to know before investing. This Prospectus Supplement, which describes the specific terms of this offering, and also adds to and updates information contained in the accompanying Base Prospectus and the documents incorporated by reference in the Base Prospectus. The Base Prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this Prospectus Supplement and the accompanying Base Prospectus, you should rely on the information contained in this Prospectus Supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date and incorporated by reference into the Base Prospectus or Prospectus Supplement, the statement in the incorporated document having the later date modifies or supersedes the earlier statement. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in or incorporated by reference in this Prospectus Supplement and the accompanying Base Prospectus is accurate only as of the respective dates on their front covers. Our business, financial condition, results of operations and prospects may have changed since that date.

You should read this Prospectus Supplement and the accompanying Base Prospectus before deciding whether to invest and retain it for future reference. A statement of additional information, dated April 16, 2007 (SAI), as supplemented from time to time, containing additional information about us, has been filed with the Securities and Exchange Commission (SEC) and is incorporated by reference in its entirety into the Prospectus. You may request a free copy of our stockholder reports and our SAI, the table of contents of which is on page 68 of the accompanying Base Prospectus, by calling (877) 657-3863, or by writing to us. Electronic copies of the Prospectus, our stockholder reports and our SAI are also available on our website (http://www.kaynemlp.com). You may also obtain copies of these documents (and other information regarding us) from the SEC s web site (http://www.sec.gov).

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Base Prospectus and the statement of additional information contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, and similar ter negative of such terms. Such forward-looking statements may be contained in this Prospectus Supplement as well as in the accompanying Base Prospectus. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the ability of the MLPs and other Midstream Energy Companies in which we invest to achieve their objectives, our ability to source favorable private investments, the timing and amount of distributions and dividends from the MLPs and other Midstream Energy Companies in which we intend to invest, the dependence of our future success on the general economy and its impact on the industries in which we invest and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risk Factors section of the Base Prospectus accompanying this Prospectus Supplement. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Base Prospectus are made as of the date of this Prospectus Supplement or the accompanying Base Prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. We acknowledge that, notwithstanding the foregoing statements, the safe harbor for forward-looking statements under the Private Securities Litigation Reform Act of 1995 does not apply to investment companies such as us.

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors section of the Base Prospectus accompanying this Prospectus Supplement as well as in Auction Risk and Certain Considerations Affecting Auction Rate Securities Existing Holder s Ability to Resell Auction Rate Securities May Be Limited in the section of this Prospectus Supplement entitled The Auction. We urge you to review carefully that section for a more complex discussion of the risks of an investment in our Series F Notes.

PROSPECTUS SUPPLEMENT SUMMARY

This summary contains basic information about us but does not contain all of the information that is important to your investment decision. You should read this summary together with the more detailed information contained elsewhere in this Prospectus Supplement and accompanying Base Prospectus and in the statement of additional information, especially the information set forth under the heading Risk Factors beginning on page 11 of the accompanying Base Prospectus and Auction Risk and Certain Considerations Affecting Auction Rate Securities Existing Holder s Ability to Resell Auction Rate Securities May Be Limited beginning on pages S-14 and S-18, respectively, of the section of this Prospectus Supplement entitled The Auction.

The Company

Kayne Anderson MLP Investment Company, a Maryland corporation, is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in MLPs and other Midstream Energy Companies. We also must comply with the SEC s rule regarding investment company names, which requires us, under normal market conditions, to invest at least 80% of our total assets in MLPs so long as MLP is in our name. Our currently outstanding shares of common stock are listed on the New York Stock Exchange (NYSE) under the symbol KYN.

We began investment activities in September 2004 following our initial public offering. After the payment of offering expenses and underwriting discounts, we received approximately $711 million from the proceeds of the initial public offering and after subsequent exercises by the underwriters of their over allotment option, the aggregate net proceeds were approximately $786 million. Since that time we have completed the following capital raising transactions: (a) four series of auction rate senior notes in an aggregate principal amount of $320 million, (b) one series of auction rate preferred stock in an amount of $75 million, (c) two underwritten public offerings of our common stock for aggregate proceeds after the payment of offering expenses and underwriting discounts of approximately $205 million, and (d) one direct placement of our common stock to purchasers in a privately negotiated transaction for proceeds after the payment of offering expenses of approximately $28 million. As of May 31, 2007, we had 42.9 million shares of common stock outstanding, net assets applicable to our common stock of $1.5 billion and total assets of $2.3 billion.

Investment Adviser

KA Fund Advisors, LLC (KAFA) is our investment adviser, responsible for implementing and administering our investment strategy. KAFA is a subsidiary of Kayne Anderson Capital Advisors, L.P. (KACALP and together with KAFA, Kayne Anderson), a SEC-registered investment adviser. As of May 31, 2007, Kayne Anderson and its affiliates managed approximately $8.6 billion, including approximately $4.2 billion in MLPs and other Midstream Energy Companies. Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998. We believe that Kayne Anderson has developed an understanding of the MLP market that enables it to identify and take advantage of public MLP investment opportunities. In addition, Kayne Anderson s senior professionals have developed a strong reputation in the energy sector and have many long-term relationships with industry managers, which we believe gives Kayne Anderson an important advantage in sourcing and structuring private investments.

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The Offering

Series F Notes offered by us	Series F Notes in an aggregate principal amount of $185,000,000. Series F Notes will be sold in denominations of $25,000 and any integral multiple thereof. The Series F Notes are being offered by Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Stifel, Nicolaus & Company, Incorporated. See Underwriting.
Use of proceeds	We estimate that our net proceeds from this offering after expenses will be approximately $183.2 million. We intend to use a portion of the net proceeds to retire our short-term debt of approximately $121.5 million as of June 21, 2007, which we incurred in connection with the acquisition of equity portfolio securities. We intend to invest the remainder of the net proceeds of this offering in accordance with our investment objective as soon as practicable. As of June 22, 2007, we have two pending investments for an aggregate amount of $45.8 million. We anticipate completing these investments in the next 30 days. See Use of Proceeds and Recent Developments.
Trustee	The Bank of New York Trust Company, N.A.
Auction Agent	The Bank of New York
Risk factors	See Risk Factors and other information included in the accompanying Base Prospectus, as well as Auction Risk and Certain Considerations Affecting Auction Rate Securities Existing Holder s Ability to Resell Auction Rate Securities May Be Limited under The Auction in this Prospectus Supplement, for a discussion of factors you should carefully consider before deciding to invest in Series F Notes.

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Recent Developments

On March 19, 2007, we declared a quarterly dividend of $0.48 per share to common stockholders of record on April 4, 2007, which was paid on April 13, 2007.

On April 23, 2007, we issued 3,600,000 shares of our common stock at a price of $36.70 per share in a public offering, in which we received $127,780,200 in net proceeds (before offering expenses and after deducting the underwriting discount). Net proceeds from the offering were used to repay a portion of our borrowings under our revolving credit line.

On May 4, 2007, our Board of Directors accepted the resignation of Terrence J. Quinn from the Board, and elected Michael C. Morgan to serve the remainder of Mr. Quinn s term. Mr. Morgan, who is not an interested person as defined in Section 2(a)(19) of the 1940 Act, was elected by our stockholders to our Board of Directors for a three-year term on June 15, 2007 at our annual meeting of stockholders. The following table sets forth information regarding Mr. Morgan s principal occupation and other affiliations over the past five years. The addresses for all Directors are 1800 Avenue of the Stars, Second Floor Los Angeles, CA 90067 and 717 Texas Avenue, Suite 3100, Houston, Texas 77002. All of our Directors currently serve on the Board of Directors of Kayne Anderson Energy Total Return Fund, Inc., a closed-end investment company registered under the 1940 Act, that is advised by Kayne Anderson.

Name (Year Born)	Position Held with Registrant	Term of Office/ Time of Service	Principal Occupations During Past Five Years	Other Directorships Held by Director
Michael C. Morgan (born 1968)	Director	3-year term (until the 2010 Annual Meeting of Stockholders)/ served since May 2007	Since 2004, Mr. Morgan has served as President and Chief Executive Officer of Portcullis Partners, LP, a privately owned investment partnership. Since 2003, Mr. Morgan has also served as an Adjunct Professor in the Practice of Management at the Jones Graduate School of Management at Rice University. From 2001 to 2004, Mr. Morgan was President of Kinder Morgan, Inc., an energy transportation and storage company, and of Kinder Morgan Energy Partners, L.P., a publicly traded pipeline limited partnership.	Kayne Anderson Energy Total Return Fund, Inc.; Kinder Morgan, Inc.

On May 16, 2007, we issued 820,916 shares of our common stock in a privately negotiated direct placement to certain purchasers. Net proceeds (approximately $28 million after deducting offering expenses) from the offering were used to repay a portion of our borrowings under our revolving credit line.

On May 18, 2007, we entered into an agreement to purchase 0.4 million Common Units and 0.9 million Class D Units from Atlas Energy Resources, LLC at a weighted average price of $25.00 per unit which constitutes an aggregate purchase price of $32.7 million. Atlas Energy will use the proceeds from the sale of the Common Units and Class D Units to partially finance the purchase of DTE Oil & Gas Company. The acquisition is expected to close within the next 30 days.

On June 15, 2007, we declared a quarterly dividend of $0.49 per share to common stockholders of record on July 5, 2007, which will be paid on July 12, 2007.

On June 19, 2007 we entered into an agreement to purchase 0.4 million common units from Universal Compression Partners, L.P. at a price of $34.75 per unit which constitutes an aggregate purchase price of $13.1 million. We expect this transaction to close in the next 30 days.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately $183.2 million, after deducting the underwriting discount and our net estimated offering expenses.

We intend to use the net proceeds of this offering to repay the indebtedness owed under our existing secured credit facility. As of June 21, 2007, we had approximately $121.5 million aggregate principal amount outstanding on our credit facility. Amounts repaid under our credit facility will remain available for future borrowings. Outstanding balances under the credit facility accrue interest at a variable annual rate equal to the one-month LIBOR rate plus 100 basis points on the outstanding balance. As of June 21, 2007, the current rate is 6.32%.

We will invest the remainder of the net proceeds of this offering in accordance with our investment objective as soon as practicable. As of June 22, 2007, we have pending investments in Atlas Energy Resources, LLC for $32.7 million and Universal Compression Partners, L.P. for $13.1 million. We anticipate completing these investments within the next 30 days. See Prospectus Supplement Summary Recent Developments. Until the remaining net proceeds are invested, we anticipate investing such proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments.

We intend to reborrow under our existing secured credit facility to make investments in portfolio companies in accordance with our investment objective.

CAPITALIZATION

The following table sets forth our capitalization: (i) as of February 28, 2007, (ii) pro forma to reflect (a) the outstanding balance under our secured credit facility as of June 21, 2007, (b) the issuance of 168,885 shares of our common stock on April 13, 2007, pursuant to our automatic dividend reinvestment plan, (c) the issuance of 3,600,000 shares of our common stock on April 23, 2007 in an underwritten public offering, and (d) the issuance of 820,916 shares of our common stock on May 16, 2007 in a direct placement to certain purchasers; and (iii) pro forma as adjusted to give effect to the issuance of the Series F Notes offered by this Prospectus Supplement and accompanying Base Prospectus and the retirement of the outstanding balance under our secured credit facility with a portion of the net proceeds of such offering.

	Actual	Pro Forma	Pro Forma As Adjusted
		(dollars in 000s, except share and per share data)	
	(Unaudited)	(Unaudited)	(Unaudited)
Cash and Cash Equivalents	$ 1,018	$ (1)	$ 61,650(1)
Short-Term Debt:			
Secured credit facility	$ 107,000	$ 121,500(1)	$ (1)
Long-Term Debt:			
Senior Notes Series A(2)	$ 85,000	$ 85,000	$ 85,000
Senior Notes Series B(2)	85,000	85,000	85,000
Senior Notes Series C(2)	90,000	90,000	90,000
Senior Notes Series E(2)	60,000	60,000	60,000
Senior Notes Series F(2)			185,000
Total Debt:	$ 427,000	$ 441,500	$ 505,000
Preferred Stock:			
Series D Auction Rate Preferred Stock, $0.001 par value per share, liquidation preference $25,000 per share (3,000 shares issued and outstanding, 10,000 shares authorized)(2)	$ 75,000	$ 75,000	$ 75,000
Common Stockholders Equity:			
Common stock, $0.001 par value per share, 199,990,000 shares authorized (38,265,172 shares issued and outstanding; 42,854,973 shares issued and outstanding Pro Forma and Pro Forma as Adjusted)(2)	$ 38	$ 43(3)	$ 43(3)
Paid-in capital	916,332	1,078,265(4)(5)	1,078,265(4)(5)
Net investment loss, net of income taxes less dividends and distributions	(175,212)	(181,008)(5)	(181,008)(5)
Accumulated realized gains on investments and interest rate swap contracts, net of income taxes	33,912	33,912	33,912
Net unrealized gains on investments, options and interest rate swap contracts, net of income taxes	409,954	409,954	409,954

Net assets applicable to common stockholders	$ 1,185,024	$ 1,341,166	$ 1,341,166

(1) As described under Use of Proceeds, we intend to use a portion of the net proceeds from this offering to repay the borrowings outstanding under our secured credit facility. Pro Forma and Pro Forma as Adjusted reflect the issuance of 3,600,000 shares of our common stock on April 23, 2007 and the issuance of 820,916 shares of our common stock on May 16, 2007 and the outstanding balance under our credit facility as of June 21, 2007, which was approximately $121.5 million. As of June 20, 2007 we have pending investments in Atlas Energy Resources, LLC and Universal Compression Partners, L.P. for $32.7 million and $13.1 million, respectively. We anticipate closing these investments within the next 30 days. We intend to reborrow under our credit facility to make investments in portfolio companies in accordance with our investment objective.

(2) We do not hold any of these outstanding securities for our account.

(3) Reflects the issuance of 168,885 shares of our common stock on April 13, 2007 pursuant to our automatic dividend reinvestment plan, the issuance of 3,600,000 shares of our common stock (aggregate par value $4) on April 23, 2007 in an underwritten public offering, and the issuance of 820,916 shares of our common stock (aggregate par value $1) on May 16, 2007 in a direct placement to certain purchasers.

(4) Reflects the proceeds of the issuance of shares of common stock offered: (i) on April 23, 2007 ($127,651), net of $0.001 par value per share of common stock, the underwriting discount and the net estimated offering costs borne by us, and (ii) on May 16, 2007 ($28,448), net of $0.001 par value per share of common stock and the estimated offering costs borne by us.

(5) Reflects the issuance of our common stock on April 13, 2007 pursuant to our automatic dividend reinvestment plan ($5,796).

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ASSET COVERAGE REQUIREMENTS

This offering is conditioned upon the Series F Notes receiving a rating of Aaa from Moody s Investors Service, Inc. and AAA from Fitch Ratings. The 1940 Act and the Ratings Agencies impose asset coverage requirements which may limit our ability to engage in certain types of transactions and may limit our ability to take certain actions without confirming with the Rating Agencies that such action will not impair the ratings.

We are required to satisfy two separate asset maintenance requirements with respect to outstanding Senior Notes: (1) we must maintain Eligible Assets having an aggregated Discounted Value at least equal to the Senior Notes Basic Maintenance Amount as of each Valuation Date in accordance with guidelines set forth by each Rating Agency; and (2) we must satisfy the 1940 Act Senior Notes Asset Coverage.

The Discount Factors and guidelines for calculating the Discounted Value of our portfolio for purposes of determining whether the Senior Notes Basic Maintenance Amount has been satisfied have been established by Moody s and Fitch in connection with our receipt from Moody s and Fitch of the Aaa and AAA Credit Ratings and the Aaa and AAA Credit Ratings, respectively, with respect to Series A, B, C and E Notes on their original issue dates and with respect to Series F Notes on their Original Issue Date. We estimate that on the Original Issue Date of Series F Notes, the 1940 Act Senior Notes Asset Coverage (as defined herein), based on the composition of our portfolio as of February 28, 2007 (adjusted to reflect: (a) the issuance of 168,885, 3,600,000 and 820,916 shares of our common stock on April 13, 2007, April 23, 2007 and May 16, 2007, respectively; and (b) the outstanding balance under our credit facility as of June 21, 2007), and after giving effect to the issuance of Series F Notes offered by this Prospectus Supplement and accompanying Base Prospectus ($185,000,000) would be 380%.

The Senior Notes Basic Maintenance Amount is defined in the Rating Agency Guidelines. Each Rating Agency may amend the definition of Senior Notes Basic Maintenance Amount from time to time. A copy of the current Rating Agency Guidelines will be provided to any holder of Senior Notes promptly upon written request by such holder to us at 1800 Avenue of the Stars, Second Floor, Los Angeles, California 90067. See Rating Agency Guidelines in the Prospectus for a more detailed description of our asset maintenance requirements.

DESCRIPTION OF SERIES F NOTES

Senior Notes of each series, including the Series F Notes, will rank on a parity with any other series of Senior Notes as to the payment of interest and distribution of assets upon liquidation. All Senior Notes rank senior to our common and preferred stock as to the payment of interest and distribution of assets upon liquidation. Under the 1940 Act, we may only issue one class of senior securities representing indebtedness.

Series F Notes will be issued by us pursuant to the terms of an Indenture, dated as of March 28, 2005, and a Third Supplemental Indenture (the Supplemental Indenture), dated as of June 26, 2007 (referred to herein collectively as the Indenture), between us and The Bank of New York Trust Company, N.A., as Trustee (the Trustee). The following summaries of certain significant provisions of the Indenture are not complete and are qualified in their entirety by the provisions of the Indenture, a more detailed summary of which is contained in Appendix A to the SAI, which is on file with the SEC and is incorporated herein by reference. Whenever defined terms are used, but not defined in this Prospectus Supplement, the terms have the meaning given to them in the Supplemental Indenture, a copy of which is available from us upon request.

General

Our board of directors (the Board of Directors) has authorized us to issue notes representing indebtedness pursuant to the term of the Indenture. Currently, the Indenture provides for the issuance of up to $185,000,000 aggregate principal amount of Series F Notes. The principal amount of Series F Notes are due and payable on July 9, 2047. Series F Notes, when issued and sold pursuant to the terms of the Indenture, will be issued in fully registered form without coupons and in denominations of $25,000 and any integral multiple thereof, unless otherwise provided in the Indenture. Series F Notes will be our unsecured obligations and, upon our liquidation, dissolution or winding, will rank: (1) senior to our outstanding common stock and any preferred stock, including the ARP Shares; (2) on a parity with any of our unsecured creditors and Series A, B, C and E Notes, any additional Series F Notes and any other series of our auction rate senior notes; and (3) junior to any of our secured creditors. Series F Notes will be subject to optional and mandatory redemption as described below under Redemption, and acceleration of maturity, as described in the accompanying Base Prospectus under Description of Debt Securities Events of Default and Acceleration of Maturity of Debt Securities; Remedies.

In addition to serving as the Trustee, The Bank of New York Trust Company, N.A. will act as the transfer agent, registrar and paying agent for Series F Notes unless or until the Board of Directors resolves to enter into an agreement with another entity.

The Bank of New York, a New York banking corporation, will act as Auction Agent for Series F Notes in connection with the Auction Procedures described below. The Auction Agent generally will serve merely as our agent, acting in accordance with our instructions.

We have the right, to the extent permitted by applicable law, to purchase or otherwise acquire any Series F Notes, so long as we are current in the payment of interest on Series F Notes and on any other notes of us ranking on a parity with Series F Notes with respect to the payment of interest.

Series F Notes have no voting rights, except to the extent required by law or as otherwise provided in the Indenture relating to the acceleration of maturity upon the occurrence and during the continuance of an event of default.

Securities Depository

The nominee of the Securities Depository is expected to be the sole holder of record of Series F Notes. Accordingly, each purchaser of Series F Notes must rely on (1) the procedures of the Securities Depository and, if such purchaser is not a member of the Securities Depository, such purchaser s Agent Member, to receive interest payments and notices, and (2) the records of the Securities Depository and, if such purchaser is not a member of the Securities Depository, such purchaser s Agent Member, to evidence its ownership of Series F Notes.

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Beneficial Owners will not receive any certificates representing their ownership interests in Series F Notes. The Depository Trust Company (DTC) will initially act as Securities Depository for the Agent Members with respect to Series F Notes.

Interest and Rate Periods

General. Series F Notes will bear interest at the Applicable Rate determined as set forth below under Determination of Interest Rate. Interest on Series F Notes shall be payable when due as described below. If we do not pay interest when due, it will trigger an event of default under the Indenture (subject to the cure provisions), and we will be restricted from declaring dividends and making other distributions with respect to our common stock and any preferred stock.

On the Business Day next preceding each Interest Payment Date, we are required to deposit with the Paying Agent sufficient funds for the payment of interest. We do not intend to establish any reserves for the payment of interest.

All moneys paid to the Paying Agent for the payment of interest shall be held in trust for the payment of such interest to the holders. Interest will be paid by the Paying Agent to the holders as their names appear on our securities ledger or securities records, which holder(s) is expected to be the nominee of the Securities Depository. The Securities Depository will credit the accounts of the Agent Members of the Beneficial Owners in accordance with the Securities Depository s normal procedures. The Securities Depository s current procedures provide for it to distribute interest in same-day funds to Agent Members who are, in turn, expected to distribute such interest to the persons for whom they are acting as agents. The Agent Member of a Beneficial Owner will be responsible for holding or disbursing such payments on the applicable Interest Payment Date to such Beneficial Owner in accordance with the instructions of such Beneficial Owner.

Interest in arrears for any past rate period may be subject to a Default Rate of interest (described below) and may be paid at any time, without reference to any regular Interest Payment Date, to the holders as their names appear on our securities ledger or securities records on such date, not exceeding fifteen (15) days preceding the payment date thereof, as may be fixed by the Board of Directors. Any interest payment shall first be credited against the earliest accrued but unpaid interest. No interest will be payable in respect of any payment or payments which may be in arrears. See Default Period below.

The amount of interest payable on each Interest Payment Date of each rate period of less than one year (or in respect of interest on another date in connection with a redemption during such rate period) shall be computed by multiplying the Applicable Rate (or the Default Rate) for such rate period (or a portion thereof) by a fraction, the numerator of which will be the number of days in such rate period (or portion thereof) that such Series F Notes were outstanding and for which the Applicable Rate or the Default Rate was applicable and the denominator of which will be 360, multiplying the amount so obtained by $25,000, and rounding the amount so obtained to the nearest cent. During any rate period of one year or more, the amount of interest per Series F Note payable on any Interest Payment Date (or in respect of interest on another date in connection with a redemption during such rate period) shall be computed as described in the preceding sentence.

Determination of Interest Rate. The interest rate for the initial rate period (*i.e.*, the period from and including the Original Issue Date to and including the initial Auction Date) and the initial Auction Date are set forth on the cover page of the Prospectus Supplement. After the initial rate period, subject to certain exceptions, Series F Notes will bear interest at the Applicable Rate that the Auction Agent advises us has resulted from an auction.

The initial rate period for Series F Notes shall be fifteen (15) days. Rate periods after the initial rate period shall either be Standard Rate Periods or, subject to certain conditions and with notice to holders, Special Rate Periods.

A Special Rate Period will not be effective unless Sufficient Clearing Bids exist at the auction in respect of such Special Rate Period (that is, in general, the aggregate amount of Series F Notes subject to Buy

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Orders by Potential Beneficial Owners is at least equal to the aggregate amount of Series F Notes subject to Sell Orders by existing Beneficial Owners).

Interest will accrue at the Applicable Rate from the Original Issue Date and shall be payable on each Interest Payment Date thereafter. For rate periods of 30 days or less, Interest Payment Dates shall occur on the first Business Day following such rate period and, if greater than 30 days, then on a monthly basis on the first Business Day of each month within such rate period and on the Business Day following the last day of such rate period. Interest will be paid through the Securities Depository on each Interest Payment Date.

Except during a Default Period as described below, the Applicable Rate resulting from an auction will not be greater than the Maximum Rate, which is equal to the applicable percentage of the Reference Rate, subject to upward but not downward adjustment in the discretion of the Board of Directors after consultation with the Broker-Dealers. The applicable percentage will be determined based on the lower of the credit ratings assigned on that date to Series F Notes by Moody s and Fitch, as follows:

Moody s Credit Rating	**Fitch Credit Rating**	**Applicable Percentage**
Aa3 or above	AA- or above	200%
A3 to A1	A- to A+	250%
Baa3 to Baa1	BBB- to BBB+	275%
Below Baa3	Below BBB-	300%

The Reference Rate is the greater of (1) the applicable AA Composite Commercial Paper Rate (for a rate period of fewer than 184 days) or the applicable Treasury Index Rate (for a rate period of 184 days or more), or (2) the applicable LIBOR. For Standard Rate Periods or less only, the Applicable Rate resulting from an auction will not be less than the Minimum Rate, which is 70% of the applicable AA Composite Commercial Paper Rate. No Minimum Rate is specified for auctions in respect to rate periods of more than the Standard Rate Period.

The Maximum Rate for Series F Notes will apply automatically following an auction for the notes in which Sufficient Clearing Bids have not been made (other than because all Series F Notes were subject to Submitted Hold Orders). If an auction for any subsequent rate period is not held for any reason, including because there is no Auction Agent or Broker-Dealer, then the Interest Rate on Series F Notes for any such rate period shall be the Maximum Rate (except for circumstances in which the Interest Rate is the Default Rate, as described below).

The All Hold Rate will apply automatically following an auction in which all of the outstanding Series F Notes are subject to (or are deemed to be subject to) Submitted Hold Orders. The All Hold Rate is 80% of the applicable AA Composite Commercial Paper Rate.

Prior to each auction, Broker-Dealers will notify Beneficial Owners and the Trustee of the term of the next succeeding rate period as soon as commercially reasonable after the Broker-Dealers have been so advised by us. After each auction, on the Auction Date, Broker-Dealers will notify Beneficial Owners of the Applicable Rate for the next succeeding rate period and of the Auction Date of the next succeeding auction.

Notification of Rate Period. We will designate the duration of subsequent rate periods of Series F Notes; provided, however, that no such designation is necessary for a Standard Rate Period and, provided further, that any designation of a Special Rate Period shall be effective only if (1) notice has been given as provided herein, (2) any failure to pay in a timely manner to the Trustee the full amount of any interest on, or the redemption price of, Series F Notes shall have been cured as provided above, (3) Sufficient Clearing Bids shall have existed in an auction held on the Auction Date immediately preceding the first day of such proposed Special Rate Period, (4) if we shall have mailed a Notice of Redemption with respect to any Series F Notes, the redemption price with respect to such Series F Notes shall have been deposited with the Paying Agent, and (5) we have confirmed that as of the Auction Date next preceding the first day of such Special Rate Period, we have Eligible Assets with an aggregate Discounted Value at least equal to the Series F Notes Basic Maintenance Amount, and we have consulted with the Broker-Dealers and have provided notice of such designation and otherwise complied with the Rating Agency Guidelines.

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Designation of a Special Rate Period. If we propose to designate any Special Rate Period, not fewer than 7 (or two Business Days in the event the duration of the rate period prior to such Special Rate Period is fewer than 8 days) nor more than 30 Business Days prior to the first day of such Special Rate Period, notice shall be (1) made by press release and (2) communicated by us by telephonic or other means to the Trustee and the Auction Agent and confirmed in writing promptly thereafter. Each such notice shall state (A) that we propose to exercise our option to designate a succeeding Special Rate Period, specifying the first and last days thereof and (B) that we will by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such Special Rate Period, notify the Auction Agent and the Trustee, who will promptly notify the Broker-Dealers, of either (x) our determination, subject to certain conditions, to proceed with such Special Rate Period, subject to the terms of any Specific Redemption Provisions, or (y) our determination not to proceed with such Special Rate Period, in which latter event the succeeding rate period shall be a Standard Rate Period.

No later than 3:00 p.m., New York City time, on the second Business Day next preceding the first day of any proposed Special Rate Period, we shall deliver to the Trustee and the Auction Agent, who will promptly deliver to the Broker-Dealers and Existing Holders, either:

(1) a notice stating (A) that we have determined to designate the next succeeding rate period as a Special Rate Period, specifying the first and last days thereof and (B) the terms of any Specific Redemption Provisions; or

(2) a notice stating that we have determined not to exercise our option to designate a Special Rate Period.

If we fail to deliver either such notice with respect to any designation of a proposed Special Rate Period to the Auction Agent or we are unable to make the confirmation described above by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such proposed Special Rate Period, we shall be deemed to have delivered a notice to the Auction Agent with respect to such rate period to the effect set forth in clause (2) above, thereby resulting in a Standard Rate Period.

Default Period. Subject to cure provisions, a Default Period with respect to Series F Notes will commence on any date we fail to deposit irrevocably in trust in same-day funds, with the Paying Agent by 3:00 p.m., New York City time,

(A) the full amount of any accrued interest on Series F Notes payable on the Interest Payment Date (an Interest Default), or

(B) the full amount of any redemption price (the Redemption Price) payable on the date fixed for redemption (the Redemption Date) (a Redemption Default and together with an Interest Default, hereinafter referred to as Default).

We shall notify the Auction Agent in writing that a Default Period is in effect. Subject to cure provisions, a Default Period with respect to an Interest Default or a Redemption Default shall end on the Business Day on which, by 3:00 p.m., New York City time, we have deposited irrevocably in trust in same-day funds with the Paying Agent all unpaid interest and any unpaid Redemption Price. In the case of an Interest Default, the Applicable Rate for each rate period commencing during a Default Period will be equal to the Default Rate, and each subsequent rate period commencing after the beginning of a Default Period shall be a Standard Rate Period; provided, however, that the commencement of a Default Period will not by itself cause the commencement of a new rate period.

No auction shall be held during a Default Period with respect to an Interest Default applicable to Series F Notes. No Default Period with respect to an Interest Default or Redemption Default shall be deemed to commence if the amount of any interest or any Redemption Price due (if such default is not solely due to our willful failure) is deposited irrevocably in trust, in same-day funds with the Paying Agent by 3:00 p.m., New York City time within three Business

Days after the applicable Interest Payment Date or Redemption Date, together with an amount equal to the Default Rate applied to the amount of such non-payment based on the actual number of days comprising such period divided by 360. The Default Rate shall be equal to the Reference Rate multiplied by three.

Redemption

Optional Redemption. To the extent permitted under the 1940 Act and Maryland law, we may redeem Series F Notes having a rate period of one year or less, in whole or in part, out of funds legally available therefor, on the Interest Payment Date upon not less than 15 days and not more than 40 days notice prior to the date fixed for redemption. This optional redemption is not available during the initial rate period or during any period during which we do not otherwise have the option to redeem Series F Notes. The optional redemption price shall equal the aggregate principal amount of Series F Notes to be redeemed, plus an amount equal to accrued interest to the date fixed for redemption. Series F Notes having a rate period of more than one year are redeemable at our option, in whole or in part, out of funds legally available therefor, prior to the end of the relevant rate period, upon not less than 15 days, and not more than 40 days, prior notice, subject to any Specific Redemption Provisions, which may include the payment of a redemption premium determined by the Board of Directors after consultation with the Broker Dealers at the time of the designation of such rate period. We shall not effect any optional redemption unless (1) we have available on the date fixed for redemption Deposit Securities with maturity or tender dates not later than the day preceding the applicable redemption date and having a value not less than the amount (including any applicable premium) due to Holders of Series F Notes by reason of the redemption of such Series F Notes and (2) we would have Eligible Assets with an aggregate Discounted Value at least equal to the Senior Notes Basic Maintenance Amount immediately subsequent to such redemption.

Mandatory Redemption. If we fail to maintain Eligible Assets with an aggregate Discounted Value at least equal to the Senior Notes Basic Maintenance Amount as of any Valuation Date or fail to satisfy the 1940 Act Senior Notes Asset Coverage as of the last Business Day of any month, and that failure is not cured within ten Business Days following the Valuation Date in the case of a failure to maintain the Senior Notes Basic Maintenance Amount or on the last Business Day of the following month in the case of a failure to maintain the 1940 Act Senior Notes Asset Coverage as of that last Business Day (each an Asset Coverage Cure Date), Series F Notes will be subject to mandatory redemption out of funds legally available therefor. See Asset Coverage Requirements.

The principal amount of Series F Notes to be redeemed in such circumstances will be equal to the lesser of (1) the minimum principal amount of Series F Notes the redemption of which, if deemed to have occurred immediately prior to the opening of business on the relevant Asset Coverage Cure Date, would result in our having Eligible Assets with an aggregated Discounted Value at least equal to the Senior Notes Basic Maintenance Amount or sufficient to satisfy the 1940 Act Senior Notes Asset Coverage, as the case may be, in either case as of the relevant Asset Coverage Cure Date (provided that, if there is no such minimum principal amount of Series F Notes the redemption of which would have such result, we will redeem all Series F Notes then outstanding), and (2) the maximum principal amount of Series F Notes that can be redeemed out of funds expected to be available therefor on the Mandatory Redemption Date (as defined below) at the Mandatory Redemption Price (as defined below).

Any redemption of less than all of the outstanding Senior Notes will be made from Series F Notes that we designate. We shall designate the principal amount of Series F Notes to be redeemed on a pro rata basis among the Holders in proportion to the principal amount of Series F Notes they hold, by lot or such other method as we deem equitable. We will not make any optional or mandatory redemption of less than all outstanding Series F Notes unless the aggregate principal amount of Series F Notes to be redeemed is equal to $25,000 or integral multiples thereof. Any redemption of less than all Series F Notes outstanding will be made in such a manner that all Series F Notes outstanding after such redemption are in authorized denominations.

We are required to effect such a mandatory redemption not later than 40 days after the Asset Coverage Cure Date (the Mandatory Redemption Date), except that if we do not have funds legally available for the redemption of, or we are not otherwise legally permitted to redeem, all of the outstanding Series F Notes which are subject to mandatory redemption, or we otherwise are unable to effect such redemption on or

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prior to such Mandatory Redemption Date, we will redeem those Series F Notes, and other Senior Notes to be redeemed on the earliest practicable date on which we will have such funds available, upon notice to record owners of Series F Notes and the Paying Agent. Our ability to make a mandatory redemption may be limited by the provisions of the 1940 Act or Maryland law. The redemption price per Series F Note in the event of any mandatory redemption will be the principal amount, plus an amount equal to accrued but unpaid interest to the date fixed for redemption, plus (in the case of a rate period of more than one year) a redemption premium, if any, determined by the Board of Directors after consultation with the Broker-Dealers and set forth in any applicable Specific Redemption Provisions (the Mandatory Redemption Price).

Redemption Procedure. Pursuant to Rule 23c-2 under the 1940 Act, we will file a notice of our intention to redeem with the SEC in order to provide at least the minimum notice required by such rule or any successor provision (notice currently must be filed with the SEC generally at least 30 days prior to the redemption date). We will deliver a notice of redemption to the Auction Agent and the Trustee containing the information described below one Business Day prior to the giving of notice to Holders in the case of an optional redemption and on or prior to the 30th day preceding the Mandatory Redemption Date in the case of a mandatory redemption. The Trustee will use its reasonable efforts to provide notice to each Holder of Series F Notes called for redemption by electronic or other reasonable means not later than the close of business on the Business Day immediately following the day on which the Trustee determines the Series F Notes to be redeemed (or, during a Default Period with respect to such Series F Notes, not later than the close of business on the Business Day immediately following the day on which the Trustee receives notice of redemption from us). Such notice will be confirmed promptly by the Trustee in writing not later than the close of business on the third Business Day preceding the redemption date by providing a notice to each Holder of record of Series F Notes called for redemption, the Paying Agent (if different from the Trustee) and the Securities Depository (Notice of Redemption). The Notice of Redemption will be addressed to the registered owners of Series F Notes at their addresses appearing on our books or share records. Such notice will set forth (1) the redemption date, (2) the principal amount and identity of Series F Notes to be redeemed, (3) the redemption price (specifying the amount of accrued interest to be included therein and the amount of the redemption premium, if any), (4) that interest on Series F Notes to be redeemed will cease to accrue on such redemption date, and (5) the provision of the Indenture under which redemption shall be made. No defect in the Notice of Redemption or in the transmittal or mailing will affect the validity of the redemption proceedings, except as required by applicable law.

If less than all of the outstanding Series F Notes are redeemed on any date, we will select the amount per Holder to be redeemed on such date on a pro rata basis in proportion to the principal amount of Series F Notes held by such Holder, by lot or by such other method we determine to be fair and equitable, subject to the terms of any Specific Redemption Provisions and subject to maintaining authorized denominations as described above. Series F Notes may be subject to mandatory redemption as described herein notwithstanding the terms of any Specific Redemption Provisions. The Trustee will give notice to the Securities Depository, whose nominee will be the record holder of all Series F Notes, and the Securities Depository will determine Series F Notes to be redeemed from the account of the Agent Member of each Beneficial Owner. Each Agent Member will determine the principal amount of Series F Notes to be redeemed from the account of each Beneficial Owner for which it acts as agent. An Agent Member may select for redemption Series F Notes from the accounts of some Beneficial Owners without selecting for redemption any Series F Notes from the accounts of other Beneficial Owners. In this case, in selecting Series F Notes to be redeemed, the Agent Member will select by lot or other fair and equitable method. Notwithstanding the foregoing, if neither the Securities Depository nor its nominee is the record Beneficial Owner of all Series F Notes, we will select the particular principal amount to be redeemed by lot or by such other method as we deem fair and equitable, as contemplated above.

If Notice of Redemption has been given, then upon the deposit of funds with the Paying Agent sufficient to effect such redemption, interest on such Series F Notes will cease to accrue and such Series F Notes will no longer be deemed to be outstanding for any purpose and all rights of the holder of Series F Notes so called for redemption will cease and terminate, except the right of the holder of such Series F Notes to receive the redemption price, but without any interest or additional amount. We will be entitled to receive

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from the Paying Agent, promptly after the date fixed for redemption, any cash deposited with the Paying Agent in excess of (1) the aggregate redemption price of Series F Notes called for redemption on such date and (2) such other amounts, if any, to which holders of Series F Notes called for redemption may be entitled. We will be entitled to receive, from time to time after the date fixed for redemption, from the Paying Agent the interest, if any, earned on such funds deposited with the Paying Agent and the owners of Series F Notes so redeemed will have no claim to any such interest. Any funds so deposited which are unclaimed two years after such redemption date will be paid, to the extent permitted by law, by the Paying Agent to us. After such payment, Holders of Series F Notes called for redemption may look only to us for payment.

So long as any Series F Notes are held of record by the nominee of the Securities Depository, the redemption price for those Series F Notes will be paid on the redemption date to the nominee of the Securities Depository. The Securities Depository s normal procedures provide for it to distribute the amount of the redemption price to Agent Members who, in turn, are expected to distribute such funds to the persons for whom they are acting as agent.

Notwithstanding the provisions for redemption described above, no Series F Notes may be redeemed unless all interest in arrears on the outstanding Series F Notes, and any indebtedness of ours ranking on a parity with Series F Notes, have been or are being contemporaneously paid or set aside for payment, except that the foregoing shall not prevent the purchase or acquisition of all the outstanding Series F Notes pursuant to the successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, holders of all outstanding Series F Notes.

Except for the provisions described above, nothing contained in the Indenture limits any legal right of ours to purchase or otherwise acquire Series F Notes outside of an auction at any price, whether higher or lower than the price that would be paid in connection with an optional or mandatory redemption, so long as, at the time of any such purchase, there is no arrearage in the payment of interest on or the mandatory or optional redemption price with respect to, any Series F Notes for which Notice of Redemption has been given, and we are in compliance with the 1940 Act Series F Notes Asset Coverage and have Eligible Assets with an aggregate Discounted Value at least equal to Series F Notes Basic Maintenance Amount after giving effect to such purchase or acquisition on the date thereof. If less than all outstanding Series F Notes are redeemed or otherwise acquired by us, we shall give notice of such transaction to the Trustee, in accordance with the procedures agreed upon by the Board of Directors.

Payment Restrictions on Shares

Under the 1940 Act, we may not declare any dividend on common stock or make any distribution with respect to our common stock and preferred stock or purchase or redeem any common or preferred stock if, at the time of such declaration (and after giving effect thereto), asset coverage with respect to Series F Notes and any other senior securities representing indebtedness (as defined in the 1940 Act), would be less than 300% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities representing indebtedness of a closed-end investment company as a condition of declaring distributions, purchases or redemptions of its common or preferred shares). Dividends may be declared upon any preferred stock, however, if Series F Notes and any other senior securities representing indebtedness have an asset coverage of at least 200% at the time of declaration after deducting the amount of such dividend.

Senior securities representing indebtedness generally means any bond, debenture, note or similar obligation or instrument constituting a security (other than shares of beneficial interest) and evidencing indebtedness and could include our obligations under the Senior Notes, our revolving credit facility or any other of our borrowings (collectively referred to as Borrowings). For purposes of determining asset coverage for senior securities representing indebtedness in connection with the payment of dividends or other distributions on or purchases or redemptions of stock, the term senior security does not include any promissory note or other evidence of indebtedness issued in consideration of any loan, extension or renewal thereof, made by a bank or other person and privately arranged, and not intended to be publicly distributed. The term senior security also does not include any such promissory note or other evidence of indebtedness in any case where such a loan is for temporary purposes only and in an amount not exceeding 5% of the value of our total assets at the time when the loan is made; a loan is presumed under the 1940 Act to be for temporary purposes if it is repaid within 60 days and is not extended or renewed; otherwise, it is presumed not to be for temporary purposes. For purposes of determining whether the 200% and 300% asset-coverage requirements described above apply in connection with interest payments or distributions on or purchases or redemptions of stock, such asset coverage may be calculated on the basis of values determined as of a time within 48 hours (not including Sundays or holidays) next preceding the time of the applicable determination.

In addition, a declaration of a dividend or other distribution on, or repurchase or redemption of, common or preferred stock is restricted (1) at any time that an event of default under Series F Notes or any other Borrowings has occurred and is continuing; or (2) if, after giving effect to such declaration, we would not have eligible portfolio holdings with an aggregated Discounted Value at least equal to any asset coverage requirements associated with such Series F Notes or other Borrowings; or (3) we have not redeemed the full amount of Series F Notes or other Borrowings, if any, required to be redeemed by any provision for mandatory redemption.

THE AUCTIONS

General

Auction Agency Agreement. We have entered into an Auction Agency Agreement (the Auction Agency Agreement) with the Auction Agent (currently, The Bank of New York) which provides, among other things, that the Auction Agent will follow the Auction Procedures for purposes of determining the Applicable Rate for Series F Notes so long as the Applicable Rate for Series F Notes is to be based on the results of an auction.

The Auction Agent may terminate the Auction Agency Agreement upon notice to us on a date no earlier than 60 days after the notice or upon notice to us on a date specified by the Auction Agent if we fail to pay the amounts due to the Auction Agent within 30 days of invoice. If the Auction Agent should resign, we will use our best efforts to enter into an agreement with a successor Auction Agent containing substantially the same terms and conditions as the Auction Agency Agreement. We may remove the Auction Agent provided that prior to such removal we have entered into such an agreement with a successor Auction Agent.

Auction Risk

You may not be able to sell your Series F Notes at an auction if the auction fails; that is, if there are more Series F Notes offered for sale than there are buyers for those Series F Notes. Also, if you place hold orders (orders to retain Series F Notes) at an auction only at a specified rate, and that bid rate exceeds the rate set at the auction, you will not retain your Series F Notes. Finally, if you buy Series F Notes or elect to retain Series F Notes without specifying a rate below which you would not wish to buy or continue to hold those Series F Notes, and the auction sets a below-market rate, you may receive a lower rate of return on your Series F Notes than the market rate.

Auction Procedures

Prior to the Submission Deadline on each Auction Date for Series F Notes, each customer of a Broker-Dealer listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as a holder thereof (a Beneficial Owner) may submit orders with respect to Series F Notes that Broker-Dealer as follows:

> Hold Order indicating the Beneficial Owner s desire to hold Series F Notes without regard to the Applicable Rate for the next rate period.

Bid to Sell indicating the Beneficial Owner s desire to sell the principal amount of outstanding Series F Notes, if any, held by such Beneficial Owner if the Applicable Rate for the next

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succeeding rate period shall be less than the rate per annum specified by such Beneficial Owner (also known as a hold at rate order).

Bid to Purchase a current Beneficial Owner or a Potential Beneficial Owner may submit bids offering to purchase a certain amount of outstanding Series F Notes if the Applicable Rate determined on the Auction Date is higher than the rate specified in the Bid. A Bid specifying a rate higher than the Maximum Rate on the Auction Date will not be accepted.

Sell Order an order by a current Beneficial Owner desire to sell a specified principal amount of Series F Notes, regardless of the Applicable Rate for the upcoming rate period.

Orders submitted (or the failure to submit orders) by Beneficial Owners under certain circumstances will have the effects described below. A Beneficial Owner of Series F Notes that submits a Bid with respect thereto to its Broker-Dealer having a rate higher than the Maximum Rate for Series F Notes on the Auction Date will be treated as having submitted a Sell Order with respect to such Series F Notes. A Beneficial Owner that fails to submit an order with respect to Series F Notes to its Broker-Dealer will be deemed to have submitted a Hold Order with respect to Series F Notes; provided, however, that if a Beneficial Owner fails to submit an order with respect to Series F Notes to its Broker-Dealer for an auction relating to a Special Rate Period of more than twenty-eight (28) days, the Beneficial Owner will be deemed to have submitted a Sell Order with respect to such Series F Notes. A Sell Order constitutes an irrevocable offer to sell Series F Notes subject thereto. A Beneficial Owner that offers to become the Beneficial Owner of additional Series F Notes is, for purposes of such offer, a Potential Beneficial Owner as discussed below.

A customer of a Broker-Dealer that is not a Beneficial Owner of Series F Notes but that wishes to purchase Series F Notes, or that is a Beneficial Owner of Series F Notes that wishes to purchase additional Series F Notes (in each case, a Potential Beneficial Owner), may submit bids to its Broker-Dealer in which it offers to purchase such principal amount of outstanding Series F Notes specified in such bid if the Applicable Rate therefor determined on such Auction Date shall not be less than the rate specified in such Bid. A Bid placed by a Potential Beneficial Owner of Series F Notes specifying a rate higher than the Maximum Rate for Series F Notes on the Auction Date therefor will not be accepted.

Each Broker-Dealer shall submit in writing, which shall include a writing delivered via e-mail or other electronic means to the Auction Agent, prior to the submission deadline on each Auction Date, all orders for Series F Notes subject to an auction on such Auction Date accepted by such Broker-Dealer, designating itself (unless otherwise permitted by us) as an existing Beneficial Owner in respect of Series F Notes subject to orders submitted or deemed submitted to it by Beneficial Owners and as a Potential Beneficial Owner in respect of Series F Notes subject to orders submitted to it by Potential Beneficial Owners. However, neither we nor the Auction Agent will be responsible for a Broker-Dealer s failure to comply with these procedures. Any order placed with the Auction Agent by a Broker-Dealer as or on behalf of an Existing Beneficial Owner or a Potential Beneficial Owner will be treated in the same manner as an order placed with a Broker-Dealer by a Beneficial Owner or Potential Beneficial Owner. Similarly, any failure by a Broker-Dealer to submit to the Auction Agent an order in respect of Series F Notes held by it or by its customers who are Beneficial Owners will be treated in the same manner as a Beneficial Owner s failure to submit to its Broker-Dealer an order in respect of Series F Notes held by it. A Broker-Dealer also may submit orders to the Auction Agent for its own account as an Existing Beneficial Owner or Potential Beneficial Owner, provided it is not an affiliate of us.

If Sufficient Clearing Bids for Series F Notes exist (that is, the aggregate principal amount of outstanding Series F Notes subject to submitted bids of Potential Beneficial Owners specifying one or more rates between the Minimum Rate (for Standard Rate Periods or shorter periods, only) and the Maximum Rate (for all rate periods) exceeds or is equal to the sum of the aggregate principal amount of outstanding Series F Notes subject to submitted Sell Orders), the Applicable Rate for the next succeeding rate period will be the lowest rate specified in the submitted bids which, taking into account such rate and all lower rates bid by Broker-Dealers as or on behalf of Existing Beneficial Owners and Potential Beneficial Owners, would result in Existing Beneficial Owners and Potential Beneficial Owners owning the aggregate principal amount of Series F Notes for purchase in the auction. If Sufficient Clearing Bids of Series F Notes do not exist (other than

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because all of the outstanding Series F Notes subject to Submitted Hold Orders), then the Applicable Rate for all Series F Notes for the next succeeding rate period thereof will be equal to the Maximum Rate. In such event, Beneficial Owners that have submitted or are deemed to have submitted Sell Orders may not be able to sell in such auction all aggregate principal amount subject to such Sell Orders. In any particular auction, if all outstanding Series F Notes are the subject of Submitted Hold Orders, the Applicable Rate for such Series F Notes for the next succeeding rate period will be the All Hold Rate (such a situation is called an All Hold Auction).

The Auction Procedures include a pro rata allocation of Series F Notes for purchase and sale, which may result in an Existing Beneficial Owner continuing to hold or selling, or a Potential Beneficial Owner purchasing, a number of Series F Notes that is less than the number of Series F Notes specified in its order. To the extent the allocation procedures have that result, Broker-Dealers that have designated themselves as Existing Beneficial Owners or Potential Beneficial Owners in respect of customer orders will be required to make appropriate pro rata allocations among their respective customers.

Settlement of purchases and sales will be made on the next Business Day (also an Interest Payment Date) after the Auction Date through the Securities Depository. Purchasers will make payment through their Agent Members in same-day funds to the Securities Depository against delivery to their respective Agent Members. The Securities Depository will make payment to the sellers Agent Members in accordance with the Securities Depository s normal procedures, which now provide for payment against delivery by their Agent Members in same-day funds.

Certain Considerations Affecting Auction Rate Securities

Role of Broker-Dealers. Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Stifel, Nicolaus & Company, Incorporated (the Broker-Dealers) have been appointed by the issuers or obligors of various auction rate securities to serve as a dealer in the auctions for those securities and are paid by the issuers or obligors for their services. The Broker-Dealers receive broker-dealer fees from such issuers or obligors at an agreed upon annual rate that is applied to the principal amount of securities sold or successfully placed through them in such auctions.

The Broker-Dealers are designated in the Broker-Dealer Agreements as the Broker-Dealers to contact Existing Holders and Potential Holders and solicit Bids for Series F Notes. After each auction for Series F Notes the Auction Agent will pay a service charge to each Broker-Dealer. We will provide the Auction Agent with the funds to pay the service charges. The service charge will be in an amount equal to: (i) in the case of any auction immediately preceding a rate period of less than one year, the product of (A) a fraction the numerator of which is the number of days in the rate period (calculated by counting the first day of such rate period but excluding the last day thereof) and the denominator of which is 360, times (B) 1/4 of 1%, times (C) $25,000, times (D) the sum of the aggregate number of Series F Notes placed by such Broker-Dealer, or (ii) the amount mutually agreed upon by us and the Broker-Dealers in the case of any auction immediately preceding a rate period of one year or longer. For purposes of the preceding sentence, Series F Notes will be placed by a Broker-Dealer if such Series F Notes were (a) the subject of Hold Orders deemed to have been submitted to the Auction Agent by the Broker-Dealer and were acquired by such Broker-Dealer for its own account or were acquired by such Broker-Dealer for its customers who are Beneficial Owners, or (b) the subject of an order submitted by such Broker-Dealer that is (1) a submitted Bid of an Existing Beneficial Owner that resulted in such existing Beneficial Owner continuing to hold such Series F Notes as a result of the auction or (2) a submitted Bid of a Potential Beneficial Owner that resulted in such Potential Beneficial Owner purchasing such Series F Notes as a result of the auction or (3) a valid Hold Order. The Broker-Dealers may share a portion of such service charges with other dealers that submit Orders through it that are filled in the auction.

Bidding by Broker-Dealers. A Broker-Dealer is permitted, but not obligated, to submit Orders in auctions for Series F Notes for its own account either as a buyer or seller and routinely does so in the auction rate securities market in its sole discretion. If the Broker-Dealer submits an Order for its own account, it would have an advantage over other Bidders because a Broker-Dealer would have knowledge of the other

Orders placed through it in that auction for Series F Notes and thus could determine the rate and size of its Order so as to increase the likelihood that (i) its Order will be accepted in the auction for Series F Notes and (ii) the auction for Series F Notes will clear at a particular rate. For this reason, and because the Broker-Dealers are appointed and paid by us to serve as a Broker-Dealer in the auction for Series F Notes, a Broker-Dealer s interests in serving as a Broker-Dealer in an auction may differ from those of Existing Holders and Potential Holders who participate in auctions for Series F Notes. See Role of Broker-Dealers. A Broker-Dealer would not have knowledge of Orders submitted to the Auction Agent by any other firm that is, or may in the future be, appointed to accept Orders pursuant to a Broker-Dealer Agreement.

The Broker-Dealers are the only Broker-Dealers appointed by us to serve as a Broker-Dealer in the auctions for Series F Notes, and as long as that remains the case, they will be the only Broker-Dealers that submit Orders to the Auction Agent in the auctions for Series F Notes. As a result, in such circumstances, the Broker-Dealers may discern the clearing rate before the Orders are submitted to the Auction Agent and set the clearing rate with their respective Orders.

A Broker-Dealer may place one or more bids in an auction for Series F Notes for its own account to acquire securities for its inventory, to prevent an Auction Failure (which occurs if there are insufficient clearing bids and results in the auction rate being set at the Maximum Rate) or to prevent an auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for Series F Notes. A Broker-Dealer may place such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. When bidding in an auction for Series F Notes for its own account, a Broker-Dealer also may Bid inside or outside the range of rates that it posts in its Price Talk (as defined herein). See Price Talk.

A Broker-Dealer also may encourage bidding by others in auctions for Series F Notes, including to prevent an Auction Failure or to prevent an auction for Series F Notes from clearing at a rate that a Broker-Dealer believes does not reflect the market for Series F Notes. A Broker-Dealer may encourage such Bids even after obtaining knowledge of some or all of the other Orders submitted through it.

Bids by a Broker-Dealer or by those it may encourage to place Bids are likely to affect (i) the Applicable Rate including preventing the Applicable Rate from being set at the Maximum Rate or otherwise causing Potential Beneficial Owners to receive a lower rate than they might have received had a Broker-Dealer not Bid (or not encouraged others to Bid) and (ii) the allocation of Series F Notes being auctioned, including displacing some Potential Beneficial Owners who may have their Bids rejected or receive fewer Series F Notes than they would have received if a Broker-Dealer had not Bid (or encouraged others to Bid). Because of these practices, the fact that an auction for Series F Notes clears successfully does not mean that an investment in Series F Notes involves no significant liquidity or credit risk. A Broker-Dealer is not obligated to continue to place such Bids (or to continue to encourage other Bidders to do so) in any particular auction for Series F Notes to prevent an Auction Failure or an auction for Series F Notes from clearing at a rate a Broker-Dealer believes does not reflect the market for Series F Notes. Investors should not assume that a Broker-Dealer will place Bids or encourage others to do so or that Auction Failures will not occur. Investors should also be aware that Bids by a Broker-Dealer (or by those it may encourage to place Bids) may cause lower Applicable Rates to occur.

The statements herein regarding Bidding by a Broker-Dealer apply only to a Broker-Dealer s auction desk and any other business units of a Broker-Dealer that are not separated from the auction desk by an information barrier designed to limit inappropriate dissemination of bidding information.

In any particular auction for Series F Notes, if all outstanding Series F Notes are the subject of Submitted Hold Orders, the Applicable Rate for the next succeeding Auction Period will be the All Hold Rate, which situation is an All Hold Auction. If a Broker-Dealer holds any Series F Notes for its own account on an Auction Date, a

Broker-Dealer may, but is not obligated to submit a Sell Order into the auction for Series F Notes with respect to such Series F Notes, which would prevent that auction for Series F Notes from being an All Hold Auction. A Broker-Dealer may, but is not obligated to, submit Bids for its own account in that same auction for Series F Notes, as set forth above.

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Price Talk. Before the start of an auction for Series F Notes, a Broker-Dealer, in its discretion, may make available to its customers who are Existing Holders and Potential Holders a Broker-Dealer s good faith judgment of the range of likely clearing rates for the auction for Series F Notes based on market and other information. This is known as Price Talk. Price Talk is not a guaranty that the Applicable Rate established through the auction for Series F Notes will be within the Price Talk, and Existing Holders and Potential Holders are free to use it or ignore it. A Broker-Dealer occasionally may update and change the Price Talk based on changes in our credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. Potential Holders should confirm with a Broker-Dealer the manner by which such Broker-Dealer will communicate Price Talk and any changes to Price Talk.

All-or-Nothing Bids. The Broker-Dealers will not accept all-or-nothing Bids (*i.e.*, Bids whereby the bidder proposes to reject an allocation smaller than the entire quantity Bid) or any other type of Bid that allows the bidder to avoid Auction Procedures that require the pro rata allocation of Series F Notes where there are not sufficient Sell Orders to fill all Bids at the Winning Bid Rate.

No Assurances Regarding Auction Outcomes. The Broker-Dealers provide no assurance as to the outcome of any auction. The Broker-Dealers also do not provide any assurance that any Bid will be successful, in whole or in part, or that the auction for Series F Notes will clear at a rate that a bidder considers acceptable. Bids may be only partially filled, or not filled at all, and the Applicable Rate on any Series F Notes purchased or retained in the auction may be lower than the market rate for similar investments.

The Broker-Dealers will not agree before an auction to buy Series F Notes from, or sell Series F Notes to, a customer after the auction.

Deadlines. Each particular auction for Series F Notes has a formal deadline by which all Bids must be submitted by the Broker-Dealers to the Auction Agent. This deadline is called the Submission Deadline. To provide sufficient time to process and submit customer Bids to the Auction Agent before the Submission Deadline, each Broker-Dealer imposes an earlier deadline for all customers, called the Broker-Dealer Deadline, by which bidders must submit Bids to a Broker-Dealer. The Broker-Dealer Deadline is subject to change by a Broker-Dealer. Potential Beneficial Owners should consult with their Broker-Dealer as to its Broker-Dealer Deadline. A Broker-Dealer may allow for correction of clerical errors after the Broker-Dealer Deadline and prior to the Submission Deadline. A Broker-Dealer may submit Bids for its own account at any time until the Submission Deadline and may change Bids it has submitted for its own account at any time until the Submission Deadline.

Existing Holder s Ability to Resell Auction Rate Securities May Be Limited. An Existing Holder may sell, transfer or dispose of a Series F Note only: (i) in an auction for Series F Notes, only pursuant to a Bid or Sell Order in accordance with the Auction Procedures, (ii) outside an auction, only to or through a Broker-Dealer, or (iii) by transferring Series F Notes to us or any affiliate; provided, however, that (a) a sale, transfer or other disposition of an aggregate principal amount of Series F Notes from a customer of a Broker-Dealer listed on the records of that Broker-Dealer as the holder of such Series F Notes to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of the foregoing if such Broker-Dealer remains the Existing Beneficial Owner of Series F Notes so sold, transferred or disposed of immediately after such sale, transfer or disposition and (b) in the case of all transfers other than pursuant to auctions, the Broker-Dealer (or other person, if permitted by us) to whom such transfer is made shall advise the Auction Agent of such transfer.

Existing Holders will be able to sell all of the Series F Notes that are the subject of their Submitted Sell Orders only if there are bidders willing to purchase all those Series F Notes in the auction for Series F Notes. If Sufficient Clearing Bids have not been made, Existing Holders that have submitted Sell Orders will not be able to sell in the auction for

Series F Notes all, and may not be able to sell any, of Series F Notes subject to such Submitted Sell Orders. As discussed above (See Bidding by Broker-Dealers), a Broker-Dealer may submit a Bid in an auction for Series F Notes to avoid an Auction Failure, but it is not obligated to do so. There may not always be enough bidders to prevent an Auction Failure in the absence of bidding by a Broker-Dealer in the auction for Series F Notes for its own account or encouraging others to Bid. Therefore, Auction Failures are possible, especially if our credit were to deteriorate, if a market disruption were to occur or if, for any reason, a Broker-Dealer were unable or unwilling to Bid.

Between auctions for Series F Notes, there can be no assurance that a secondary market for Series F Notes will develop or, if it does develop, that it will provide Existing Holders the ability to resell Series F Notes on the terms or at the times desired by an Existing Holder. A Broker-Dealer, in its own discretion, may decide to buy or sell Series F Notes in the secondary market for its own account from or to investors at any time and at any price, including at prices equivalent to, below, or above par for Series F Notes. However, a Broker-Dealer is not obligated to make a market in Series F Notes and may discontinue trading in Series F Notes without notice for any reason at any time. Existing Holders who resell between auctions for Series F Notes may receive an amount less than par, depending on market conditions. We can provide no assurance that any secondary trading market of Series F Notes will provide owners with liquidity of investment. Series F Notes are not listed on any exchange or automated quotation system. Investors who purchase Series F Notes in an auction for Series F Notes for a Special Rate Period should note that, because the interest rate on such Series F Notes will be fixed for the length of such rate period, the value of Series F Notes may fluctuate in response to changes in interest rates, and may be more or less than their original cost if sold on the open market in advance of the next auction for Series F Notes, depending upon market conditions.

If an Existing Holder purchased Series F Notes through a dealer which is not a Broker-Dealer for the securities, such Existing Holder s ability to sell its securities may be affected by the continued ability of its dealer to transact trades for Series F Notes through a Broker-Dealer.

The ability to resell Series F Notes will depend on various factors affecting the market for Series F Notes, including news relating to us, the attractiveness of alternative investments, investor demand for short term securities, the perceived risk of owning Series F Notes (whether related to credit, liquidity or any other risk), the tax or accounting treatment accorded Series F Notes (including U.S. generally accepted accounting principles as they apply to the accounting treatment of auction rate securities), reactions of market participants to regulatory actions (such as those described in Securities and Exchange Commission Settlements below) or press reports, financial reporting cycles and market conditions generally. Demand for Series F Notes may change without warning, and declines in demand may be short-lived or continue for longer periods.

Resignation of the Auction Agent or a Broker-Dealer Could Impact the Ability to Hold Auctions. The Auction Agent Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving us at least 60 days notice and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place. The Broker-Dealer Agreement provides that a Broker-Dealer thereunder may resign upon five days notice and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any auction period during which there is no duly appointed Auction Agent or Broker-Dealer, it will not be possible to hold auctions for Series F Notes, with the result that the interest rate on Series F Notes will be determined as described in the supplemental indenture.

Securities and Exchange Commission Settlements. On May 31, 2006, the SEC announced that it had settled its investigation of 15 firms, including Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the Settling Broker-Dealers), that participate in the auction rate securities market, regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the firms had managed auctions for auction rate securities in which they participated in ways that were not adequately disclosed or that did not conform to disclosed auction procedures. As part of the settlement, the Settling Broker-Dealers agreed to pay a civil penalty. In addition, the Settling Broker-Dealers, without admitting or denying the SEC s allegations, agreed to provide to customers written descriptions of its material auction practices and procedures, and to implement procedures reasonably designed to detect and prevent any failures by that Settling Broker-Dealer to conduct the auction process in accordance with disclosed procedures. No assurance can be offered as to how the settlement may affect the market for auction rate securities or Series F Notes. The SEC s investigation is continuing as to other entities that participate in the auction rate securities market.

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In addition, on January 9, 2007, the SEC announced that it had settled its investigation of three banks, including The Bank of New York (the Settling Auction Agents), that participate as auction agents in the auction rate securities market, regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the Settling Auction Agents allowed broker-dealers in auctions to submit bids or revise bids after the submission deadlines and allowed broker-dealers to intervene in auctions in ways that affected the rates paid on the auction rate securities. As part of the settlement, the Settling Auction Agents agreed to pay civil penalties. In addition, each Settling Auction Agent, without admitting or denying the SEC s allegations, agreed to provide to broker-dealers and issuers written descriptions of its material auction practices and procedures and to implement procedures reasonably designed to detect and prevent any failures by that Settling Auction Agent to conduct the auction process in accordance with disclosed procedures. No assurance can be offered as to how the settlement may affect the market for auction rate securities or Series F Notes.

Additional Information

Securities Depository. DTC will act as the Securities Depository for the Agent Members with respect to Series F Notes. One certificate for Series F Notes will be registered in the name of Cede & Co., as nominee of the Securities Depository. Such certificate will bear a legend to the effect that such certificate is issued subject to the provisions restricting transfers of Series F Notes contained in the Indenture. We also will issue stop-transfer instructions to the transfer agent for Series F Notes. Cede & Co. will be the holder of record of each series of all Senior Notes and beneficial owners of such Series F Notes will not be entitled to receive certificates representing their ownership interest in such Series F Notes.

DTC, a New York-chartered limited purpose trust company, performs services for its participants (including the Agent Members), some of whom (and/or their representatives) own DTC. DTC maintains lists of its participants and will maintain the positions (ownership interests) held by each such participant (the Agent Member) in Series F Notes, whether for its own account or as a nominee for another person.

Concerning The Auction Agent

The Auction Agent is acting as non-fiduciary agent for us in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent will not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and will not be liable for any error of judgment made in good faith unless the Auction Agent will have been negligent in ascertaining the pertinent facts.

The Auction Agent may rely upon, as evidence of the identities of the Existing Holders of Series F Notes, the Auction Agent s registry of Existing Holders, the results of auctions and notices from any Broker-Dealer (or other Person, if permitted by us) with respect to transfers described under The Auctions in the Prospectus Supplement and notices from us. The Auction Agent is not required to accept any such notice for an Auction unless it is received by the Auction Agent by 3:00 p.m., New York City time, on the Business Day preceding such auction.

UNDERWRITING

Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Stifel, Nicolaus & Company, Incorporated are acting as the underwriters in this offering. Subject to the terms and conditions stated in the underwriting agreement dated the date of this Prospectus Supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of Series F Notes set forth opposite the underwriter s name.

Underwriter	Series F Notes
Citigroup Global Markets Inc.	$ 87,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	87,500,000
Stifel, Nicolaus & Company, Incorporated	10,000,000
Total	$ 185,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the Series F Notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the Series F Notes if they purchase any of the Series F Notes. Each underwriter or an affiliate thereof intends to participate in future auctions as a Broker-Dealer for the Series F Notes.

After the auction, which includes the newly issued Series F Notes, payment by each purchaser of Series F Notes sold through the auction will be made in accordance with the procedures described under The Auctions.

The underwriters propose to offer some of the Series F Notes directly to the public at the public offering price set forth on the cover page of this Prospectus Supplement and some of the Series F Notes to dealers at the public offering price less a concession not to exceed 0.55% of the principal amount of the Series F Notes. The underwriters may allow, and dealers may reallow, a concession not to exceed 0.15% of the principal amount of the Series F Notes on sales to other dealers. Investors must pay for any Series F Notes on or before June 26, 2007. After the initial offering of the Series F Notes to the public, the representatives may change the public offering price and concessions.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the Series F Notes).

	Paid by Us
Per Series F Note	1.00%

We estimate that we will incur approximately $175,000 in expenses in connection with this offering. Merrill Lynch, Pierce, Fenner & Smith Incorporated has agreed to reimburse us for certain expenses in connection with the offering.

We and Kayne Anderson have agreed that, for a period of 90 days from the date of this Prospectus Supplement, we and they will not, without the prior written consent of Citigroup Global Markets Inc., on behalf of the underwriters, sell, contract to sell, or otherwise dispose of any of our auction rate senior notes or auction rate preferred stock (Senior Securities), or any securities convertible into or exchangeable for Senior Securities or grant any options or warrants to purchase our Senior Securities, other than the sale of Series F Notes to the underwriters pursuant to the underwriting agreement and the issuance and sale of up to $150,000,000 of other Senior Securities. Citigroup Global Markets Inc., on behalf of the underwriters, in its sole discretion, may release any of the securities subject to this lock-up agreement at any time without notice.

The underwriters and their affiliates have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters and their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business. Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated have acted and may act in the future as co-lead managers and joint book-running managers of initial public offerings of other funds managed by Kayne Anderson.

We anticipate that the underwriters may from time to time act as brokers or dealers and receive fees in connection with the execution of our portfolio transactions after the underwriters have ceased to be underwriters and, subject to certain restrictions, each may act as a broker while it is an underwriter. We anticipate that the underwriters or one of their affiliates may from time to time act in auctions as a Broker-Dealer or dealer and receive fees as described under Description of Senior F Notes.

A prospectus in electronic format may be made available by one or more of the underwriters. In those cases, prospective investors may view offering terms online and prospective investors may be allowed to place orders online. The underwriters may agree to allocate a number of Series F Notes for sale to their online brokerage account holders. The underwriters will make such allocations on the same basis as other allocations. In addition, Series F Notes may be sold by the underwriters to securities dealers who resell Series F Notes to online brokerage account holders.

We and Kayne Anderson have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

The respective addresses of the underwriters are: Citigroup Global Markets Inc., 388 Greenwich Street, New York, New York 10013; Merrill Lynch, Pierce, Fenner & Smith Incorporated, 4 World Financial Center, 250 Vesey Street, New York, New York 10080; and Stifel, Nicolaus & Company, Incorporated, 501 North Broadway, St. Louis, Missouri 63102.

As of June 18, 2007, our Independent Directors, excluding Ms. Costin, and their immediate family members do not beneficially own securities in entities directly or indirectly controlling, controlled by, or under common control with, our underwriters. Due to her ownership of securities issued by one of the underwriters in this offering, Ms. Costin is expected to be treated as an interested person of us, as defined in the 1940 Act, during and until the completion of this offering, and, in the future, may be treated as an interested person during subsequent offerings of our securities if the relevant offering is underwritten by the underwriter in which Ms. Costin owns securities.

LEGAL MATTERS

Certain legal matters in connection with Series F Notes will be passed upon for us by Paul, Hastings, Janofsky & Walker llp, Los Angeles, California, and for the underwriters by Sidley Austin llp, New York, New York. Paul, Hastings, Janofsky & Walker llp and Sidley Austin llp may rely as to certain matters of Maryland law on the opinion of Venable llp, Baltimore, Maryland.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and the 1940 Act, and are required to file reports, including annual and semi-annual reports, proxy statements and other information with the SEC. We voluntarily file quarterly shareholder reports. Our most recent shareholder report filed with the SEC is for the period ended February 28, 2007. These documents are available on the SEC s EDGAR system and can be inspected and copied for a fee at the SEC s public reference room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the SEC at (202) 551-5850.

This Prospectus Supplement and the accompanying Base Prospectus do not contain all of the information in our registration statement, including amendments, exhibits, and schedules. Statements in this Prospectus Supplement and the accompanying Base Prospectus about the contents of any contract or other document are not necessarily complete and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by this reference. Additional information about us can be found in our Registration Statement (including amendments, exhibits, and schedules) on Form N-2 filed with the SEC. The SEC maintains a web site (http://www.sec.gov) that contains our Registration Statement, other documents incorporated by reference, and other information we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

UNAUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTHS ENDED FEBRUARY 28, 2007

CONTENTS

KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS
FEBRUARY 28, 2007
(amounts in 000 s)
(UNAUDITED)

Description	No. of Shares/Units	Value
Long-Term Investments 163.0%		
Equity Investments(a) 163.0%		
Pipeline MLP(b) 134.7%		
Atlas Pipeline Partners, L.P.	401	$ 19,273
Boardwalk Pipeline Partners, LP	522	19,146
Buckeye Partners, L.P.	157	7,702
Copano Energy, L.L.C.	1,959	129,474
Crosstex Energy, L.P.	2,586	97,174
Crosstex Energy, L.P. Senior Subordinated Units, Unregistered(c)(d)	356	11,911
DCP Midstream Partners, LP	138	5,103
Duncan Energy Partners L.P.(d)	124	2,981
Eagle Rock Energy Partners, L.P.	10	195
Enbridge Energy Management, L.L.C.(e)	399	20,363
Enbridge Energy Partners, L.P.	1,608	84,924
Energy Transfer Partners, L.P.	4,262	235,116
Enterprise Products Partners L.P.	5,359	163,511
Global Partners LP	385	11,142
Hiland Partners, LP	156	8,483
Holly Energy Partners, L.P.	226	10,437
Kinder Morgan Management, LLC(e)	2,907	145,377
Magellan Midstream Partners, L.P.	3,920	165,026
MarkWest Energy Partners, L.P.	908	58,915
Martin Midstream Partners L.P.	202	7,328
ONEOK Partners, L.P.	833	53,951
Plains All American Pipeline, L.P.	2,547	141,344
Plains All American Pipeline, L.P.(c)	565	31,062
Regency Energy Partners LP	663	18,244
Regency Energy Partners LP Unregistered(c)	905	23,680
Sunoco Logistics Partners L.P.	72	4,039
Targa Resources Partners LP(d)	380	9,158
TC PipeLines, LP	228	8,269
TC PipeLines, LP Unregistered(c)	868	29,935
TEPPCO Partners, L.P.	473	20,233
TransMontaigne Partners L.P.	71	2,300
Valero L.P.	481	30,296
Williams Partners L.P.	224	9,694
Williams Partners L.P. Class B, Unregistered(c)	183	7,556

Williams Partners L.P.	Unregistered(c)	64	2,720
			1,596,062

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS (CONTINUED)
FEBRUARY 28, 2007
(amounts in 000 s)
(UNAUDITED)

Description	No. of Shares/Units	Value
Propane MLP 9.1%		
Ferrellgas Partners, L.P.	877	$ 20,149
Inergy, L.P.	2,839	88,106
		108,255
Shipping MLP 2.0%		
K-Sea Transportation Partners L.P.	140	5,518
Teekay LNG Partners L.P.	355	13,064
Teekay Offshore Partners L.P.	173	5,152
		23,734
Coal MLP 6.0%		
Clearwater Natural Resources, LP Unregistered(c)(f)	3,889	58,334
Natural Resource Partners L.P. Subordinated Units	103	6,511
Penn Virginia Resource Partners, L.P.	230	6,227
		71,072
Upstream MLP(b) 1.6%		
Atlas Energy Resources, LLC	209	5,089
BreitBurn Energy Partners L.P.	97	2,677
Constellation Energy Partners LLC	215	6,114
Legacy Reserves LP(d)	193	4,671
		18,551
MLP Affiliates 6.8%		
Atlas Pipeline Holdings, L.P.	73	1,868
Buckeye GP Holdings L.P.	290	5,614
Crosstex Energy, Inc.	209	6,784
Energy Transfer Equity, L.P.	237	7,970
Energy Transfer Equity, L.P. Unregistered(c)	365	12,057
Hiland Holdings GP, LP	161	4,576
Kinder Morgan, Inc.	187	19,724
Magellan Midstream Holdings, L.P.	259	6,325
MarkWest Hydrocarbon, Inc.	249	15,607

80,525

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS (CONTINUED)
FEBRUARY 28, 2007
(amounts in 000 s, except number of option contracts written)
(UNAUDITED)

Description	No. of Shares/Units		Value
Other MLP 2.8%			
Calumet Specialty Products Partners, L.P.	559	$	22,986
Universal Compression Partners, L.P.	356		10,584
			33,570
Total Long-Term Investments (Cost $1,283,574)			1,931,769

	Interest Rate	Maturity Date	Value
Short-Term Investment 0.1%			
Repurchase Agreement 0.1%			
Bear, Stearns & Co. Inc. (Agreement dated 2/28/07 to be repurchased at $1,018), collateralized by $1,049 in U.S. Treasury Bond Strips (Cost $1,018)	5.270%	3/01/07	1,018
Total Investments 163.1% (Cost $1,284,592)			1,932,787

	No. of Contracts	Value
Liabilities		
Option Contracts Written(g)		
MLP Affiliate		
Kinder Morgan Inc., call option expiring 3/17/07 @ $105.00 (Premiums received $115)	1,000	(125)
Auction Rate Senior Notes		(320,000)
Deferred Taxes		(238,513)
Revolving Credit Line		(107,000)
Other Liabilities		(20,982)
Unrealized Depreciation on Interest Rate Swap Contracts		(317)
Total Liabilities		(686,937)

Unrealized Appreciation on Interest Rate Swap Contracts	2,993
Income Tax Receivable	2,448
Other Assets	8,733
Total Liabilities in Excess of Other Assets	(672,763)
Preferred Stock at Redemption Value	(75,000)
Net Assets Applicable to Common Stockholders	$ 1,185,024

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS (CONCLUDED)
FEBRUARY 28, 2007
(amounts in 000)
(UNAUDITED)

(a) Unless otherwise noted, equity investments are common units/common shares.

(b) Includes Limited Liability Companies.

(c) Fair valued securities, restricted from public sale (See Notes 2 and 6).

(d) Security is currently not paying cash distributions but is expected to pay cash distributions or convert to securities which pay cash distributions within the next 12 months.

(e) Distributions are paid in-kind.

(f) Clearwater Natural Resources, LP is a privately-held MLP that the Company believes is a controlled affiliate. (See Note 4.B).

(g) Security is non-income producing.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF ASSETS AND LIABILITIES
FEBRUARY 28, 2007
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

ASSETS		
Investments at fair value, non-controlled (Cost $1,210,596)	$	1,873,435
Investment at fair value, controlled (Cost $72,978)		58,334
Repurchase agreement (Cost $1,018)		1,018
Total investments (Cost $1,284,592)		1,932,787
Deposits with brokers		719
Receivable for securities sold		4,034
Interest, dividends and distributions receivable		20
Income tax receivable		2,448
Deferred debt issuance costs and other, net		3,960
Unrealized appreciation on interest rate swap contracts		2,993
Total Assets		1,946,961
LIABILITIES		
Revolving credit line		107,000
Payable for securities purchased		12,147
Investment management fee payable		6,788
Call options written, at fair value (premiums received $115)		125
Accrued directors fees and expenses		50
Accrued expenses and other liabilities		1,997
Deferred tax liability		238,513
Unrealized depreciation on interest rate swap contracts		317
Total Liabilities before Senior Notes		366,937
Auction Rate Senior Notes:		
Series A, due April 3, 2045		85,000
Series B, due April 5, 2045		85,000
Series C, due March 31, 2045		90,000
Series E, due December 21, 2045		60,000
Total Senior Notes		320,000
Total Liabilities		686,937
PREFERRED STOCK		
$25,000 liquidation value per share applicable to 3,000 outstanding shares (10,000 shares authorized)		75,000

NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$	1,185,024
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF		
Common stock, $0.001 par value (38,265,172 shares issued and outstanding, 199,990,000 shares authorized)	$	38
Paid-in capital		916,332
Net investment loss, net of income taxes less dividends and distributions		(175,212)
Accumulated realized gains on investments and interest rate swap contracts, net of income taxes		33,912
Net unrealized gains on investments, options and interest rate swap contracts, net of income taxes		409,954
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$	1,185,024
NET ASSET VALUE PER COMMON SHARE		$30.97

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2007
(amounts in 000 s)
(UNAUDITED)

INVESTMENT INCOME	
Income	
Dividends and distributions	$ 23,428
Return of capital	(20,839)
Net dividends and distributions	2,589
Interest and other fees	16
Total Investment Income	2,605
Expenses	
Investment management fees	6,789
Administration fees	208
Professional fees	177
Reports to stockholders	52
Custodian fees	51
Directors fees	50
Insurance	42
Other expenses	124
Total Expenses Before Interest Expense, Auction Agent Fees and Taxes	7,493
Interest expense	5,302
Auction agent fees	248
Total Expenses Before Taxes	13,043
Net Investment Loss Before Taxes	(10,438)
Deferred tax benefit	3,862
Net Investment Loss	(6,576)
REALIZED AND UNREALIZED GAINS/(LOSSES)	
Net Realized Gains/(Losses)	
Investments	8,450
Payments on interest rate swap contracts	603
Deferred tax expense	(3,350)
Net Realized Gains	5,703
Net Change in Unrealized Gains/(Losses)	
Investments	139,435

Options	(10)
Interest rate swap contracts	354
Deferred tax expense	(44,125)
Net Change in Unrealized Gains	95,654
Net Realized and Unrealized Gains	101,357
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	94,781
DIVIDENDS TO PREFERRED STOCKHOLDERS	(977)
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS	$ 93,804

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS
(amounts in 000 s, except share amounts)

	For the Three Months Ended February 28, 2007 (Unaudited)	For the Fiscal Year Ended November 30, 2006
OPERATIONS		
Net investment loss	$ (6,576)	$ (23,356)
Net realized gains	5,703	14,152
Net change in unrealized gains	95,654	226,725
Net Increase in Net Assets Resulting from Operations	94,781	217,521
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS		
Distributions return of capital	(977)(1)	(3,732)(2)
DISTRIBUTIONS TO COMMON STOCKHOLDERS		
Distributions return of capital	(17,890)(1)	(65,492)(2)
CAPITAL STOCK TRANSACTIONS		
Issuance of 200,336 and 889,285 shares of common stock from reinvestment of distributions, respectively	5,718	23,005
Total Increase in Net Assets Applicable to Common Stockholders	81,632	171,302
NET ASSETS		
Beginning of period	1,103,392	932,090
End of period	$ 1,185,024	$ 1,103,392

(1) The information presented in each of these items is a current estimate of the characterization of a portion of the total dividends paid to preferred stockholders and common stockholders for the three months ended February 28, 2007 as either a dividend (ordinary income) or a distribution (return of capital). This estimate is based on the Company s operating results during the period.

(2) The information presented in each of these items is a characterization of a portion of the total dividends paid to preferred stockholders and common stockholders for the fiscal year ended November 30, 2006 as either a dividend (ordinary income) or a distribution (return of capital). This characterization is based on the Company s earnings and profits.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2007
(amounts in 000 s)
(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	$	94,781
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchase of investments		(116,107)
Proceeds from sale of investments		21,649
Purchase of short-term investments, net		(69)
Realized gains		(9,053)
Return of capital distributions		20,839
Unrealized gains on investments and interest rate swap contracts		(139,789)
Increase in deposits with brokers		(601)
Increase in receivable for securities sold		(358)
Decrease in interest, dividend and distributions receivables		586
Increase in income tax receivable		(339)
Decrease in deferred debt issuance costs and other		4
Increase in payable for securities purchased		10,658
Decrease in investment management fee payable		(3,507)
Increase in option contracts written		125
Decrease in accrued directors fees and expenses		(2)
Increase in accrued expenses and other liabilities		719
Increase in deferred tax liability		43,613
Net Cash Used in Operating Activities		(76,851)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from revolving credit line		90,000
Cash distributions paid to preferred stockholders		(977)
Cash distributions paid to common stockholders		(12,172)
Net Cash Provided by Financing Activities		76,851
NET DECREASE IN CASH		
CASH BEGINNING OF PERIOD		
CASH END OF PERIOD	$	

Supplemental disclosure of cash flow information:

Noncash financing activities not included herein consist of reinvestment of distributions of $5,718 pursuant to the Company s dividend reinvestment plan.

During the three months ended February 28, 2007, federal and state taxes paid were $339 and interest paid was $4,342.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

FINANCIAL HIGHLIGHTS
(amounts in 000 s, except per share amounts)

	For the Three Months Ended February 28, 2007 (Unaudited)	For the Fiscal Year Ended November 30, 2006	For the Fiscal Year Ended November 30, 2005	For the Period September 28, 2004[1] through November 30, 2004
Per Share of Common Stock				
Net asset value, beginning of period	$ 28.99	$ 25.07	$ 23.91	$ 23.70(2)
Income from Operations[3]				
Net investment income/(loss)	(0.17)	(0.62)	(0.17)	0.02
Net realized and unrealized gain on investments, securities sold short, options and interest rate swap contracts	2.65	6.39	2.80	0.19
Total income from investment operations	2.48	5.77	2.63	0.21
Dividends/Distributions Preferred Stockholders[3]				
Dividends	(4)	(5)	(0.05)(5)	
Distributions	(0.03)(4)	(0.10)(5)	(5)	
Total dividends/distributions Preferred Stockholders	(0.03)	(0.10)	(0.05)	
Dividends/Distributions Common Stockholders				
Dividends	(4)	(5)	(0.13)(5)	
Distributions	(0.47)(4)	(1.75)(5)	(1.37)(5)	
Total dividends/distributions Common Stockholders	(0.47)	(1.75)	(1.50)	
Capital Stock Transactions[3]				
Underwriting discounts and offering costs on the issuance of preferred			(0.03)	

stock								
Secondary issuance of common stock, net of underwriting discounts and offering costs						0.11		
Total capital stock transactions						0.08		
Net asset value, end of period	$	30.97	$	28.99	$	25.07	$	23.91
Market value per share of common stock, end of period	$	32.91	$	31.39	$	24.33	$	24.90
Total investment return based on common stock market value(6)		6.57%		37.93%		3.66%		(0.40)%
Supplemental Data and Ratios(7)								
Net assets applicable to common stockholders, end of period	$	1,185,024	$	1,103,392	$	932,090	$	792,836
Ratio of expenses to average net assets, including current and deferred income tax expense		20.44%(8)		18.85%(8)		8.73%(8)		4.73%(8)
Ratio of expenses to average net assets, excluding current and deferred income taxes		4.70%(8)		5.10%(8)		2.32%(8)		1.20%(8)
Ratio of expenses, excluding taxes and non-recurring organizational expenses, to average net assets		4.70%		5.10%		2.32%		1.08%
Ratio of expenses, excluding taxes and interest expenses, to average net assets		2.70%		3.42%		1.52%		
Ratio of net investment income/(loss) to average net assets		(2.37)%		(2.37)%		(0.68)%		0.50%
Net increase in net assets to common stockholders resulting from operations to average net assets		33.83%		21.66%		10.09%		5.30%
Portfolio turnover rate		1.19%(9)		9.95%(9)		25.59%(9)		11.78%(9)
Auction Rate Senior Notes outstanding, end of period	$	320,000	$	320,000	$	260,000		
Auction Rate Preferred Stock, end of period	$	75,000	$	75,000	$	75,000		
Asset coverage of Auction Rate Senior Notes		493.76%		468.25%		487.34%		
Asset coverage of Auction Rate Preferred Stock		400.01%		379.34%		378.24%		
Average amount of borrowings outstanding per share of common stock during the period	$	8.36(3)	$	8.53(3)	$	5.57(3)		

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

FINANCIAL HIGHLIGHTS (CONCLUDED)
(amounts in 000 s, except share and per share amounts)

(1) Commencement of operations.

(2) Initial public offering price of $25.00 per share less underwriting discounts of $1.25 per share and offering costs of $0.05 per share.

(3) Based on average shares of common stock outstanding of 38,171,682; 37,638,314; 34,077,731 and 33,165,900, for the three months ended February 28, 2007, fiscal year ended November 30, 2006, the fiscal year ended November 30, 2005 and the period September 28, 2004 through November 30, 2004, respectively.

(4) The information presented in each of these items is a current estimate of the characterization of a portion of the total dividends paid to preferred stockholders and common stockholders for the three months ended February 28, 2007 as either a dividend (ordinary income) or a distribution (return of capital). This estimate is based on the Company s operating results during the period.

(5) The information presented in each of these items is a characterization of a portion of the total dividends paid to preferred stockholders and common stockholders for the fiscal years ended November 30, 2006 and November 30, 2005 as either a dividend (ordinary income) or a distribution (return of capital). This characterization is based on the Company s earnings and profits.

(6) Not annualized for the three months ended February 28, 2007 and the period September 28, 2004 through November 30, 2004. Total investment return is calculated assuming a purchase of common stock at the market price on the first day and a sale at the current market price on the last day of the period reported. The calculation also assumes reinvestment of dividends, if any, at actual prices pursuant to the Company s dividend reinvestment plan.

(7) Unless otherwise noted, ratios are annualized for periods of less than one full year.

(8) For the three months ended February 28, 2007, the Company s deferred tax benefit was $3,862 and deferred tax expense was $47,475. For the fiscal year ended November 30, 2006, the Company s current tax benefit was $65 and deferred tax expense was $135,738. For the fiscal year ended November 30, 2005, its current tax expense was $3,669 and deferred tax expense was $52,179. For the period September 28, 2004 through November 30, 2004, its current income tax expense was $763 and deferred tax expense was $3,755.

(9) Amount not annualized for the three months ended February 28, 2007 and the period September 28, 2004 through November 30, 2004. For the three months ended February 28, 2007, and fiscal years ended November 30, 2006 and November 30, 2005, and the period September 28, 2004 through November 30, 2004, calculated based on the sales of $21,649; $144,884; $263,296 and $16,880, respectively of long-term investments dividend by the average long-term investment balance of $1,817,282; $1,456,695; $1,029,035 and $143,328, respectively.

See accompanying notes to financial statements.

KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2007
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

1. Organization

Kayne Anderson MLP Investment Company (the Company) was organized as a Maryland corporation on June 4, 2004, and is a non-diversified closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Company s investment objective is to obtain a high after-tax total return by investing at least 85% of its net assets plus any borrowings (total assets) in energy-related master limited partnerships and their affiliates (collectively, MLPs), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies). The Company commenced operations on September 28, 2004. The Company s shares of common stock are listed on the New York Stock Exchange, Inc. (NYSE) under the symbol KYN .

2. Significant Accounting Policies

A. *Use of Estimates* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ materially from those estimates.

B. *Calculation of Net Asset Value* The Fund determines its net asset value as of the close of regular session trading on the NYSE (normally 4:00 p.m. Eastern time) no less frequently than the last business day of each month, and makes its net asset value available for publication monthly. Net asset value is computed by dividing the value of the Company s assets (including accrued interest and dividends), less all of its liabilities (including accrued expenses, dividends payable, current and deferred and other accrued income taxes, and any borrowings) and the liquidation value of any outstanding preferred stock, by the total number of common shares outstanding.

C. *Investment Valuation* Readily marketable portfolio securities listed on any exchange other than the NASDAQ Stock Market, Inc. (NASDAQ) are valued, except as indicated below, at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and asked prices on such day, except for short sales and call options contracts written, for which the last quoted asked price is used. Securities admitted to trade on the NASDAQ are valued at the NASDAQ official closing price. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities.

Equity securities traded in the over-the-counter market, but excluding securities admitted to trading on the NASDAQ, are valued at the closing bid prices. Fixed income securities with a remaining maturity of 60 days or more are valued by the Company using a pricing service. Fixed income securities maturing within 60 days will be valued on an amortized cost basis.

The Company holds securities that are privately issued or otherwise restricted as to resale. For these securities, as well as any other portfolio security held by the Company for which reliable market quotations are not readily available, valuations are determined in a manner that most fairly reflects fair value of the

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

security on the valuation date. Unless otherwise determined by the Board of Directors, the following valuation process is used for such securities:

Investment Team Valuation. The applicable investments are initially valued by KA Fund Advisors, LLC (Kayne Anderson or the Adviser) investment professionals responsible for the portfolio investments;

Investment Team Valuation Documentation. Preliminary valuation conclusions are documented and discussed with senior management of Kayne Anderson. Such valuations generally are submitted to the Valuation Committee (a committee of the Company s Board of Directors) or the Board of Directors on a monthly basis, and stand for intervening periods of time.

Valuation Committee. The Valuation Committee meets on or about the end of each month to consider new valuations presented by Kayne Anderson, if any, which were made in accordance with the Valuation Procedures in such month. Between meetings of the Valuation Committee, a senior officer of Kayne Anderson is authorized to make valuation determinations. The Valuation Committee s valuations stand for intervening periods of time unless the Valuation Committee meets again at the request of Kayne Anderson, the Board of Directors, or the Committee itself. All valuation determinations of the Valuation Committee are subject to ratification by the Board at its next regular meeting.

Valuation Firm. No less than quarterly, a third-party valuation firm engaged by the Board of Directors reviews the valuation methodologies and calculations employed for these securities.

Board of Directors Determination. The Board of Directors meets quarterly to consider the valuations provided by Kayne Anderson and the Valuation Committee, if applicable, and ratify valuations for the applicable securities. The Board of Directors considers the report provided by the third-party valuation firm in reviewing and determining in good faith the fair value of the applicable portfolio securities.

Unless otherwise determined by the Board of Directors, securities that are convertible into or otherwise will become publicly traded (*e.g.,* through subsequent registration or expiration of a restriction on trading) are valued through the process described above, using a valuation based on the market value of the publicly traded security less a discount. The discount is initially equal in amount to the discount negotiated at the time the purchase price is agreed to. To the extent that such securities are convertible or otherwise become publicly traded within a time frame that may be reasonably determined, Kayne Anderson may determine an amortization schedule for the discount in accordance with a methodology approved by the Valuation Committee.

At February 28, 2007, the Company held 15.0% of its net assets applicable to common stockholders (9.1% of total assets) in securities valued at fair value as determined pursuant to procedures adopted by the Board of Directors, with an aggregate cost of $177,784 and fair value of $177,255. Although these securities may be resold in privately negotiated transactions (subject to certain lock-up restrictions), these values may differ from the values that would have been used had a ready market for these securities existed, and the differences could be material.

Any option transaction that the Company enters into may, depending on the applicable market environment have no value or a positive/negative value. Exchange traded options and futures contracts are valued at the closing price in the market where such contracts are principally traded.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of February 28, 2007, the Company does not believe the adoption of SFAS No. 157 will impact the financial statement amounts, however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements on changes in net assets for the period.

D. *Repurchase Agreements* The Company has agreed to purchase securities from financial institutions subject to the seller s agreement to repurchase them at an agreed-upon time and price (repurchase agreements). The financial institutions with whom the Company enters into repurchase agreements are banks and broker/ dealers which Kayne Anderson considers creditworthy. The seller under a repurchase agreement is required to maintain the value of the securities as collateral, subject to the agreement, at not less than the repurchase price plus accrued interest. Kayne Anderson monitors daily the mark-to-market of the value of the collateral, and, if necessary, requires the seller to maintain additional securities, so that the value of the collateral is not less than the repurchase price. Default by or bankruptcy of the seller would, however, expose the Company to possible loss because of adverse market action or delays in connection with the disposition of the underlying securities.

E. *Short Sales* A short sale is a transaction in which the Company sells securities it does not own (but has borrowed) in anticipation of or to hedge against a decline in the market price of the securities. To complete a short sale, the Company may arrange through a broker to borrow the securities to be delivered to the buyer. The proceeds received by the Company for the short sale are retained by the broker until the Company replaces the borrowed securities. In borrowing the securities to be delivered to the buyer, the Company becomes obligated to replace the securities borrowed at their market price at the time of replacement, whatever the price may be.

All short sales are fully collateralized. The Company maintains assets consisting of cash or liquid securities equal in amount to the liability created by the short sale. These assets are adjusted daily to reflect changes in the value of the securities sold short. The Company is liable for any dividends or distributions paid on securities sold short.

The Company may also sell short against the box (*i.e.,* the Company enters into a short sale as described above while holding an offsetting long position in the security which it sold short). If the Company enters into a short sale against the box, the Company segregates an equivalent amount of securities owned as collateral while the short sale is outstanding. At February 28, 2007, the Company had no open short sales.

F. *Option Writing* When the Company writes an option, an amount equal to the premium received by the Company is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Company on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Company has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Company. The Company, as the writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. See Note 7 for more detail on option contracts written.

G. *Security Transactions and Investment Income* Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses are reported on an identified cost basis. Dividend and distribution income is recorded on the ex-dividend date. Distributions received from

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

the Company s investments in MLPs generally are comprised of income and return of capital. For the three months ended February 28, 2007, the Company estimated that 90% of the MLP distributions received would be treated as a return of capital. The Company recorded as return of capital the amount of $20,839 of dividends and distributions received from MLPs. The return of capital of $20,839, resulted in an equivalent reduction in the cost basis of the associated MLP investments. Net Realized Gains and Net Change in Unrealized Gains in the accompanying Statement of Operations were increased by $809 and $20,030, respectively, attributable to the recording of such dividends and distributions as reductions in the cost basis of investments. The Company records investment income and return of capital based on estimates made at the time such distributions are received. Such estimates are based on historical information available from each MLP and other industry sources. These estimates may subsequently be revised based on information received from MLPs after their tax reporting periods are concluded. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts.

H. *Dividends and Distributions to Stockholders* Dividends to common stockholders are recorded on the ex-dividend date. The character of dividends made during the year may differ from their ultimate characterization for federal income tax purposes. Distributions to stockholders of the Company s Auction Rate Preferred Stock, Series D are accrued on a daily basis and are determined as described in Note 11 Preferred Stock. The Company s dividends will be comprised of return of capital and ordinary income, which is based on the earnings and profits of the Company. The Company is unable to make final determinations as to the character of the dividend until after the end of the calendar year. The Company informed its common stockholders in January 2007 of the character of dividends paid during fiscal year 2006. Prospectively, the Company will inform its common stockholders of the character of dividends during that fiscal year in January following such fiscal year.

I. *Partnership Accounting Policy* The Company records its pro-rata share of the income/(loss) and capital gains/(losses), to the extent of dividends it has received, allocated from the underlying partnerships and adjusts the cost of the underlying partnerships accordingly. These amounts are included in the Company s Statement of Operations.

J. *Federal and State Income Taxation* The Company, as a corporation, is obligated to pay federal and state income tax on its taxable income. The Company invests its assets primarily in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company includes its allocable share of the MLP s taxable income in computing its own taxable income. Deferred income taxes reflect (i) taxes on unrealized gains/(losses), which are attributable to the temporary difference between fair market value and book basis and (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. To the extent the Company has a net deferred tax asset, a valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in either the carryback or carryforward period under the tax law.

The Company may rely to some extent on information provided by the MLPs, which may not necessarily be timely, to estimate taxable income allocable to the MLP units held in the portfolio and to estimate the associated deferred tax liability. Such estimates are made in good faith and reviewed in accordance with the valuation process approved by the Board of Directors. From time to time the Company modifies its estimates or assumptions regarding the deferred tax liability as new information become available.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 48 (FIN 48), Accounting for Uncertainty in Income Taxes. This standard defines the threshold for recognizing the benefits of tax-return positions in the financial statements as more-likely-than-not to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based

KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

on the largest benefit that is more than 50 percent likely to be realized. FIN 48 is effective as of the beginning of the first fiscal year beginning after December 15, 2006. At adoption, companies must adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained as of the adoption date. As of February 28, 2007, the company has not evaluated the impact that will result from adopting FIN 48.

K. *Organization Expenses, Offering and Debt Issuance Costs* The Company was responsible for paying all organization expenses, which were expensed when the shares of common stock were issued in the Company s IPO. Offering costs (including underwriting discount) related to the Company s two issuances of common stock and issuance of Series D preferred stock were charged to additional paid-in capital when the shares were issued. Debt issuance costs (including underwriting discount) related to the auction rate senior notes payable are being capitalized and amortized over the period the notes are outstanding.

L. *Derivative Financial Instruments* The Company uses derivative financial instruments (principally interest rate swap contracts) to manage interest rate risk. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not hold or issue derivative financial instruments for speculative purposes. All derivative financial instruments are recorded at fair value with changes in value during the reporting period, and amounts accrued under the agreements, included as unrealized gains or losses in the Statement of Operations. Monthly cash settlements under the terms of the interest rate swap agreements are recorded as realized gains or losses in the Statement of Operations. The Company generally values its interest rate swap contracts based on dealer quotations, if available, or by discounting the future cash flows from the stated terms of the interest rate swap agreement by using interest rates currently available in the market.

M. *Indemnifications* Under the Company s organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Company. In addition, in the normal course of business, the Company enters into contracts that provide general indemnification to other parties. The Company s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred, and may not occur. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

3. Concentration of Risk

The Company s investment objective is to seek a high level of total return with an emphasis on current income paid to its stockholders. Under normal circumstances, the Company intends to invest at least 85% of its total assets in securities of MLPs and other Midstream Energy Companies, and to invest at least 80% of its total assets in MLPs, which are subject to certain risks, such as supply and demand risk, depletion and exploration risk, commodity pricing risk, acquisition risk, and the risk associated with the hazards inherent in midstream energy industry activities. A substantial portion of the cash flow received by the Company is derived from investment in equity securities of MLPs. The amount of cash that an MLP has available for distributions and the tax character of such distributions are dependent upon the amount of cash generated by the MLP s operations. The Company may invest up to 15% of its total assets in any single issuer and a decline in value of the securities of such an issuer could significantly impact the net asset value of the Company. The Company may invest up to 20% of its total assets in debt securities, which may include below investment grade securities. The Company may, for defensive purposes, temporarily invest all or a significant portion of its assets in investment grade securities, short-term debt securities and cash or cash equivalents. To the extent the Company uses this strategy, it may not achieve its investment objectives.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

4. Agreements and Affiliations

A. *Investment Management Agreement* The Company has entered into an investment management agreement with Kayne Anderson under which the Adviser, subject to the overall supervision of the Company s Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Adviser receives a management fee from the Company.

On December 12, 2006, the Company held a special meeting of stockholders at which stockholders approved a new investment management agreement. As a result of the vote on this matter, the new investment management agreement replaced the previous performance-based fee structure with a fixed investment management fee at an annual rate of 1.375% of average total assets.

Pursuant to the previous investment management agreement, which was in effect through December 11, 2006, the Company agreed to pay Kayne Anderson Capital Advisors, L.P., the Adviser s parent company and the Company s former adviser, a basic management fee at an annual rate of 1.75% of the Company s average total assets, adjusting upward or downward (by up to 1.00% of the Company s average total assets, as defined), depending on to what extent, if any, the Company s investment performance for the relevant performance period exceeded or trailed the Company s Benchmark over the same period. The Company s Benchmark was the total return (capital appreciation and reinvested dividends) of the Standard & Poor s 400 Utilities Index plus 600 basis points (6.00%). The basic management fee and the performance fee adjustment were calculated and paid quarterly, using a rolling 12-month performance period.

During the period December 1, 2006 through December 11, 2006, the Company paid and accrued management fees at an annual rate of 2.75% of average total assets based on the Company s investment performance. During the remainder of the three months ended February 28, 2007, the Company paid and accrued management fees at an annual rate of 1.375% of average total assets.

For purposes of calculating the management fee, the Company s total assets are equal to the Company s gross asset value (which includes assets attributable to or proceeds from the Company s use of preferred stock, commercial paper or notes issuances and other borrowings), minus the sum of the Company s accrued and unpaid dividends on any outstanding common stock and accrued and unpaid dividends on any outstanding preferred stock and accrued liabilities (other than liabilities associated with borrowing or leverage by the Company and any accrued taxes). Liabilities associated with borrowing or leverage by the Company include the principal amount of any borrowings, commercial paper or notes issued by the Company, the liquidation preference of any outstanding preferred stock, and other liabilities from other forms of borrowing or leverage such as short positions and put or call options held or written by the Company.

B. *Portfolio Companies* From time to time, the Company may control or may be an affiliate of one or more portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, the Company would control a portfolio company if the Company owned 25% or more of its outstanding voting securities and would be an affiliate of a portfolio company if the Company owned 5% or more of its outstanding voting securities. The 1940 Act contains prohibitions and restrictions relating to transactions between investment companies and their affiliates (including the Company s investment adviser), principal underwriters and affiliates of those affiliates or underwriters.

The Company believes that there is significant ambiguity in the application of existing SEC staff interpretations of the term voting security to complex structures such as privately negotiated limited partnership interests of the kind in which the Company invests. As a result, it is possible that the SEC staff may consider that certain securities investments in private limited partnerships are voting securities under the staff s prevailing interpretations of this term. If such determination is made, the Company may be regarded as a person affiliated with and controlling the issuer(s) of those securities for purposes of Section 17 of the 1940 Act.

KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

In light of the ambiguity of the definition of voting securities, the Company does not intend to treat any class of securities that it holds as voting securities unless the security holders of such class have the ability, under the partnership agreement, to remove the general partner (assuming a sufficient vote of such securities, other than securities held by the general partner, in favor of such removal) or the Company has an economic interest of sufficient size that otherwise gives it the de facto power to exercise a controlling influence over the partnership. The Company believes this treatment is appropriate given that the general partner controls the partnership, and without the ability to remove the general partner or the power to otherwise exercise a controlling influence over the partnership due to the size of an economic interest, the security holders have no control over the partnership.

At February 28, 2007, the Company held approximately 42.5% of the partnership interests of Clearwater Natural Resources, LP (Clearwater). The Company s Chief Executive Officer serves as a director on the board of the general partner of Clearwater. The Company may be deemed to control and be an affiliate of Clearwater, each as defined in the Investment Company Act of 1940 (the 1940 Act), because the Company has an economic interest in Clearwater of size that may give it the power to exercise a controlling influence over Clearwater, notwithstanding the limited scope and character of the rights of such securities that the Company holds, which power effectively makes such securities the equivalent of voting securities. Based on the totality of the facts and circumstances as they exist as of February 28, 2007, the Company believes that it controls and is an affiliate of Clearwater. During the period there were no purchases or sales of this security.

C. *Other Affiliations* For the three months ended February 28, 2007, KA Associates, Inc., an affiliate of Kayne Anderson, earned approximately $1 in brokerage commissions from portfolio transactions executed on behalf of the Company.

5. Income Taxes

Deferred income taxes reflect (i) taxes on unrealized gains/(losses), which are attributable to the difference between fair market value and book basis and (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the Company s deferred tax assets and liabilities as of February 28, 2007 are as follows:

Deferred tax assets:	
Organizational costs	$ (30)
Net operating loss carryforwards	(20,209)
Deferred tax liabilities:	
Unrealized gains on investment securities	257,766
Other	986
Total net deferred tax liability	$ 238,513

At February 28, 2007, the Company did not record a valuation allowance against its deferred tax assets.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

At February 28, 2007, the cost basis of investments for Federal income tax purposes was $1,236,124 and the cash received on option contracts written was $115. The cost basis of investments includes a $48,468 reduction in basis attributable to the Company s portion of the allocated losses from its MLP investments. At February 28, 2007, gross unrealized appreciation and depreciation of investments for Federal income tax purposes were as follows:

Gross unrealized appreciation of investments (including options)	$ 708,637
Gross unrealized depreciation of investments (including options)	(11,984)
Net unrealized appreciation before tax and interest rate swap contracts	696,653
Unrealized appreciation on interest rate swap contracts	2,676
Net unrealized appreciation before tax	$ 699,329
Net unrealized appreciation after tax	$ 440,577

For the three months ended February 28, 2007, the components of income tax expense include $48,438 and $2,768 for deferred federal income taxes and state income taxes (net of the federal tax benefit), respectively. Income tax expense also includes a $7,593 benefit related to certain state tax changes which impacted the Company s deferred tax liabilities on its net unrealized gains. Total income taxes have been computed by applying the Federal statutory income tax rate plus a blended state income tax rate totaling 37.0% to net investment income and realized and unrealized gains on investments before taxes.

6. Restricted Securities

From time to time certain of the Company s investments are restricted as to resale. Such restricted investments are valued in accordance with procedures established by the board of directors and more fully described in Note 2 Significant Accounting Policies. The table below shows the number of shares/units held, the acquisition date, purchase price, aggregate cost, and fair value as of February 28, 2007, value per share/unit of such security, percent of net assets applicable to common stockholders and percent of total assets which the security comprises:

Investment	Security	Number of Units	Acquisition Date	Purchase Price	Cost	Fair Value	Value Per Unit	Percent of Net Assets[1]	Percent of Total Assets
Clearwater Natural Resources, L.P.	Common Units[2]	3,889	[3]	$ 77,855	$ 72,978	$ 58,334	$ 15.00	4.9%	3.0%
		356	6/29/06	10,022	10,022	11,911	33.42	1.0	0.6

Crosstex Energy, L.P.	Senior Subordinated Units[2]								
Energy Transfer Equity, L.P.	Common Units[2]	365	11/27/06	10,007	9,895	12,057	33.05	1.0	0.6
Plains All America Pipeline, L.P.	Common Units	565	12/19/06	27,500	27,093	31,062	54.97	2.6	1.6
Regency Energy Partners LP	Common Units[2]	905	9/21/06	19,012	19,012	23,680	26.17	2.0	1.2
TC PipeLines, LP	Common Units[2]	868	2/22/07	30,000	30,000	29,935	34.50	2.5	1.5
Williams Partners L.P.	Common Units[2]	64	12/13/06	2,324	2,297	2,720	42.83	0.3	0.2
Williams Partners L.P.	Class B Units[2]	183	12/13/06	6,564	6,487	7,556	41.22	0.7	0.4
				$ 183,284	$ 177,784	$ 177,255		15.0%	9.1%

(1) Applicable to common stockholders.

(2) Unregistered security.

(3) The Company purchased common units on 8/1/05 and 10/2/06.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

7. Call Options Written

Transactions in written call options for the three months ended February 28, 2007 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at beginning of period		
Call options written	1,000	$ 115
Options exercised		
Options outstanding at end of period	1,000	$ 115

8. Investment Transactions

For the three months ended February 28, 2007, the Company purchased and sold securities in the amount of $116,107 and $21,649 (excluding short-term investments, securities sold short, and interest rate swaps), respectively.

9. Revolving Credit Line

The Company has an uncommitted revolving credit line with Custodial Trust Company (an affiliate of the administrator, Bear Stearns Funds Management Inc.), under which the Company may borrow from Custodial Trust Company an aggregate amount of up to the lesser of $200,000 or the maximum amount the Company is permitted to borrow under the 1940 Act, subject to certain limitations imposed by the lender. The credit line is secured by Company assets held in custody by Custodial Trust Company. During the three months ended February 28, 2007, the average amount outstanding was $73,167 with a weighted average interest rate of 6.33%. As of February 28, 2007, the Company had outstanding borrowings on the revolving credit line of $107,000, and the interest rate was 6.32%. Any loans under this line are repayable on demand by the lender at any time.

10. Auction Rate Senior Notes

The Company issued four series of auction rate senior notes, each with a maturity of 40 years from the date of original issuance, having an aggregate principal amount of $320,000 (Senior Notes). The Senior Notes were issued in denominations of $25. The fair value of those notes approximates carrying amount because the interest rate fluctuates with changes in interest rates available in the current market.

Holders of the Senior Notes are entitled to receive cash interest payments at an annual rate that may vary for each rate period. Interest rates for Series A, Series B, Series C and Series E as of February 28, 2007 were 5.05%, 5.05%, 5.25% and 5.10%, respectively. The weighted average interest rates for Series A, Series B, Series C and Series E for the three months ended February 28, 2007, were 5.07%, 5.07%, 5.26%, and 5.10% respectively. These rates include the applicable rate based on the latest results of the auction and do not include commissions paid to the auction agent in the amount of 0.25%. For each subsequent rate period, the interest rate will be determined by an auction conducted in accordance with the procedures described in the Senior Notes prospectus. The reset rate period for Series A, Series B and Series E Senior Notes is seven days, while Series C Senior Notes reset every 28 days. The Senior Notes are not listed on any exchange or automated quotation system.

KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

The Senior Notes are redeemable in certain circumstances at the option of the Company. The Senior Notes are also subject to a mandatory redemption if the Company fails to meet an asset coverage ratio required by law, or fails to cure deficiency as stated in the Company s rating agency guidelines in a timely manner.

The Senior Notes are unsecured obligations of the Company and, upon liquidation, dissolution or winding up of the Company, will rank: (1) senior to all the Company s outstanding preferred shares; (2) senior to all of the Company s outstanding common shares; (3) on a parity with any unsecured creditors of the Company and any unsecured senior securities representing indebtedness of the Company; and (4) junior to any secured creditors of the Company.

11. Preferred Stock

The Company issued 3,000 shares of Series D auction rate preferred stock totaling $75,000. The Company has 10,000 shares of authorized preferred stock. The preferred stock has rights determined by the Board of Directors. The preferred stock has a liquidation value of $25,000 per share plus any accumulated, but unpaid dividends, whether or not declared.

Holders of preferred stock are entitled to receive cash dividend payments at an annual rate that may vary for each rate period. The dividend rate as of February 28, 2007 was 5.15%. The weighted average dividend rate for the three months ended February 28, 2007 was 5.22%. This rate includes the applicable rate based on the latest results of the auction and does not include commissions paid to the auction agent in the amount of 0.25%. Under the 1940 Act, the Company may not declare dividends or make other distribution on shares of common stock or purchases of such shares if, at any time of the declaration, distribution or purchase, asset coverage with respect to the outstanding preferred stock would be less than 200%.

The preferred stock is redeemable in certain circumstances at the option of the Company. The preferred stock is also subject to a mandatory redemption if the Company fails to meet an asset coverage ratio required by law, or fails to cure deficiency as stated in the Company s rating agency guidelines in a timely manner.

The holders of the preferred stock have voting rights equal to the holders of common stock (one vote per share) and will vote together with the holders of shares of common stock as a single class except on matters affecting only the holders of preferred stock or the holders of common stock.

12. Interest Rate Swap Contracts

The Company has entered into interest rate swap contracts to partially hedge itself from increasing interest expense on its leverage resulting from increasing short-term interest rates. A decline in interest rates may result in a decline in the value of the swap contracts, which, everything else being held constant, would result in a decline in the net assets of the Company. In addition, if the counterparty to the interest rate swap contracts defaults, the Company would not be able to use the anticipated receipts under the swap contracts to offset the interest payments on the Company s leverage. At the time the interest rate swap contracts reach their scheduled termination, there is a risk that the Company would not be able to obtain a replacement transaction or that the terms of the replacement transaction would not be as favorable as on the expiring transaction. In addition, if the Company is required to terminate any swap contract early, then the Company could be required to make a termination payment. As of February 28, 2007, the Company has entered into twelve interest rate

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONCLUDED)

swap contracts with UBS AG as summarized below. For all twelve swaps, the Company receives a floating rate, based on one-month LIBOR.

Termination Date	Notional Amount	Fixed Rate Paid by the Company	Net Unrealized Appreciation/ Depreciation
3/25/2008	$ 35,000	4.31%	$ 293
3/25/2008	25,000	4.40%	182
4/7/2008	25,000	4.35%	212
3/24/2010	25,000	4.65%	140
4/8/2010	25,000	4.55%	224
4/15/2010	35,000	4.45%	414
6/2/2010	30,000	4.12%	685
2/28/2012	40,000	4.99%	(232)
4/16/2012	25,000	4.65%	252
5/9/2012	25,000	4.37%	588
11/14/2013	10,000	5.00%	(56)
11/18/2013	10,000	4.95%	(26)
Total	$ 310,000		$ 2,676

At February 28, 2007, the weighted average duration of the interest rate swap contracts was 3.4 years and the weighted average fixed rate was 4.53%. The Company is exposed to credit risk on the interest rate swap contracts if the counterparty should fail to perform under the terms of the interest rate swap contracts.

13. Common Stock

The Company has 199,990,000 shares of common stock authorized and 38,265,172 shares outstanding at February 28, 2007. As of that date, Kayne Anderson Capital Advisors, L.P. owned 4,000 shares. Transactions in common shares for the three months ended February 28, 2007 were as follows:

Shares at November 30, 2006	38,064,836
Shares issued through reinvestment of distributions	200,336
Shares at February 28, 2007	38,265,172

14. Subsequent Events

On April 18, 2007 the Company issued 3,600,000 shares of common stock in a public offering at $36.70 per share, raising approximately an additional $132,120 of gross proceeds (excluding the underwriting discount and offering expenses). Proceeds from the offering were used to repay a portion of the Company s borrowings under its revolving credit line.

On April 13, 2007, the Company paid a dividend to its common stockholders in the amount of $0.48 per share, for a total of $18,367. Of this total, pursuant to the Company s dividend reinvestment plan, $5,796 was reinvested into the Company for 168,885 newly issued shares of common stock.

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BASE PROSPECTUS

$500,000,000

Common Stock
Preferred Stock
Debt Securities

We are a non-diversified, closed-end management investment company that began investment activities on September 28, 2004. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our net assets plus any borrowings (our total assets) in energy-related master limited partnerships and their affiliates (collectively, MLPs), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies). We invest in equity securities of (i) master limited partnerships, including preferred, common and subordinated units and general partner interests, (ii) owners of such interests in master limited partnerships, and (iii) other Midstream Energy Companies. Additionally, we may invest in debt securities of MLPs and other Midstream Energy Companies. We intend to invest at least 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies, and we may invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies.

We may offer, from time to time, up to an aggregate of $500,000,000 of our common stock ($0.001 par value per share), preferred stock ($0.001 par value per share) or debt securities, which we refer to in this prospectus collectively as our securities, in one or more offerings. We may offer our common stock, preferred stock or debt securities separately or together, in amounts, at prices and on terms set forth in a prospectus supplement to this prospectus. You should read this prospectus and the related prospectus supplement carefully before you decide to invest in any of our securities.

We may offer and sell our securities to or through underwriters, through dealers or agents that we designate from time to time, directly to purchasers or through a combination of these methods. If an offering of securities involves any underwriters, dealers or agents, then the applicable prospectus supplement will name the underwriters, dealers or agents and will provide information regarding any applicable purchase price, fee, commission or discount arrangements made with those underwriters, dealers or agents or the basis upon which such amount may be calculated. For more information about the manners in which we may offer our securities, see Plan of Distribution. We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement.

(continued on following page)

Investing in our securities may be speculative and involve a high degree of risk and should not constitute a complete investment program. Before buying any securities, you should read the discussion of the material risks of investing in our securities in Risk Factors beginning on page 11 of this prospectus. You should consider carefully these risks together with all of the other information contained in this prospectus and any prospectus supplement before making a decision to purchase our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

April 16, 2007

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(continued from previous page)

We are managed by KA Fund Advisors, LLC, a subsidiary of Kayne Anderson Capital Advisors, L.P. (together, Kayne Anderson), a leading investor in MLPs. As of November 30, 2006, Kayne Anderson and its affiliates managed approximately $7.0 billion, including approximately $3.3 billion in MLPs and other Midstream Energy Companies.

Our currently outstanding shares of common stock are listed on the New York Stock Exchange (NYSE) under the symbol KYN . The net asset value of our common stock at the close of business on February 28, 2007 was $30.97 per share, and the last sale price per share of our common stock on the NYSE on such date was $32.91. See Market and Net Asset Value Information.

Shares of common stock of closed-end investment companies frequently trade at discounts to their net asset values. If our common stock trades at a discount to our net asset value, the risk of loss may increase for purchasers in this offering, especially for those investors who expect to sell their common stock in a relatively short period after purchasing shares in this offering. See Risk Factors Risks Related to Our Common Stock Market Discount From Net Asset Value Risk at page 14.

We issued three series of auction rate senior notes due in 2045, in an aggregate principal amount of $260 million (Series A, B and C Notes), on March 28, 2005, and one series of auction rate senior notes due in 2045, in an aggregate principal amount of $60 million (Series E Notes), on December 14, 2005. Series A, B, C and E Notes are rated Aaa and AAA by Moody s Investors Service Inc. (Moody s) and Fitch Ratings (Fitch), respectively. As of November 30, 2006, the aggregate principal amount of Series A, B, C and E Notes represented approximately 18.6% of our total assets. Series A, B, C and E Notes are on a parity with each other, and are referred to collectively herein as the Senior Notes.

On April 12, 2005, we issued an aggregate amount of $75 million of Series D Auction Rate Preferred Stock (ARP Shares). The ARP Shares are rated Aa and AA by Moody s and Fitch, respectively. As of November 30, 2006, the aggregate amount of ARP Shares represented approximately 4.4% of our total assets. ARP Shares pay adjustable rate dividends, which are redetermined periodically by an auction process. The adjustment period for dividends on ARP Shares could be as short as one day or as long as a year or more.

Our common stock is junior in liquidation and distribution rights to our debt securities and preferred stock. The issuance of our debt securities and preferred stock represents the leveraging of our common stock. See Use of Leverage Effects of Leverage at page 36, Risk Factors Risks Related to Our Common Stock Leverage Risk to Common Stockholders at page 14, and Description of Capital Stock at page 45. The issuance of any additional common stock offered by this prospectus will enable us to increase the aggregate amount of our leverage. Our preferred stock will be senior in liquidation and distribution rights to our common stock and will be junior in liquidation and distribution rights to our debt securities. Investors in our preferred stock will be entitled to receive cash dividends at an annual rate that may vary for each dividend period. Our debt securities will be our unsecured obligations and, upon our liquidation, dissolution or winding up, rank: (1) senior to all of our outstanding common stock and any preferred stock (including the ARP Shares); (2) on a parity with our obligations to any unsecured creditors and any unsecured senior securities representing our indebtedness, including the Senior Notes and any other series of our auction rate senior notes; and (3) junior to our obligations to any secured creditors. Holders of our debt securities will be entitled to receive cash interest payments at an annual rate that may vary for each rate period. We may redeem our debt securities prior to their stated maturity in certain circumstances described in this prospectus and any related prospectus supplement.

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You should rely only on the information contained or incorporated by reference in this prospectus and any related prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any prospectus supplement is accurate only as of the respective dates on their front covers. Our business, financial condition, results of operations and prospects may have changed since that date.

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This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or the SEC, using the shelf registration process. Under the shelf registration process, we may offer, from time to time, separately or together in one or more offerings, up to $500,000,000 of our common stock, preferred stock or debt securities on the terms to be determined at the time of the offering. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. This prospectus, together with any prospectus supplement, sets forth concisely the information about us that a prospective investor ought to know before investing. You should read this prospectus and the related prospectus supplement before deciding whether to invest and retain them for future reference. A statement of additional information, dated April 16, 2007 (SAI), containing additional information about us, has been filed with the SEC and is incorporated by reference in its entirety into this prospectus. You may request a free copy of our stockholder reports and our SAI, the table of contents of which is on page 68 of this prospectus, by calling (877) 657-3863/MLP-FUND, by accessing our web site (http://www.kaynemlp.com), or by writing to us. You may also obtain copies of these documents (and other information regarding us) from the SEC s web site (http://www.sec.gov).

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our securities offered by this prospectus. You should carefully read the entire prospectus, any related prospectus supplement and the SAI, including the documents incorporated by reference into them, particularly the section entitled Risk Factors beginning on page 11. Except where the context suggests otherwise, the terms we, us, and our refer to Kayne Anderson MLP Investment Company; Kayne Anderson refers to KA Fund Advisors, LLC and its managing member, Kayne Anderson Capital Advisors, L.P. and its predecessor; midstream energy assets refers to assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal; MLPs refers to energy-related master limited partnerships, limited liability companies treated as partnerships, and their affiliates; and Midstream Energy Companies means (i) MLPs and (ii) other companies that, as their principal business, operate midstream energy assets.

About Kayne Anderson MLP Investment Company

We are a non-diversified, closed-end investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act), which commenced investment activities on September 28, 2004. Our common stock is traded on the New York Stock Exchange (the NYSE) under the symbol KYN. See Description of Capital Stock on page 45. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in MLPs and other Midstream Energy Companies. We also must comply with the SEC s rule regarding investment company names, which requires us, under normal market conditions, to invest at least 80% of our total assets in MLPs so long as MLP is in our name.

We completed our initial public offering of common stock on September 28, 2004. After the payment of offering expenses and underwriting discounts, we received approximately $711 million from the proceeds of the initial public offering and after subsequent exercises by the underwriters of their over allotment option, the aggregate net proceeds were approximately $786 million. We completed a secondary public offering of our common stock on October 17, 2005. After the payment of offering expenses and underwriting discounts, we received approximately $77 million from the proceeds of the secondary public offering. As of November 30, 2006, we had 38,064,836 shares of common stock outstanding and net assets applicable to our common stock of $1.1 billion.

We issued three series of auction rate senior notes due in 2045, in an aggregate principal amount of $260 million (Series A, B and C Notes), on March 28, 2005, and one series of auction rate senior notes due in 2045, in an aggregate principal amount of $60 million (Series E Notes), on December 14, 2005. Series A, B, C and E Notes are rated Aaa and AAA by Moody s Investors Service Inc. (Moody s) and Fitch Ratings (Fitch), respectively. As of November 30, 2006, the aggregate principal amount of Series A, B, C and E Notes represented approximately 18.6% of our total assets. Series A, B, C and E Notes are on a parity with each other, and are referred to collectively herein as the Senior Notes.

On April 12, 2005, we issued an aggregate amount of $75 million of Series D Auction Rate Preferred Stock (ARP Shares). The ARP Shares are rated Aa and AA by Moody s and Fitch, respectively. As of November 30, 2006, the aggregate amount of ARP Shares represented approximately 4.4% of our total assets.

After the payment of offering expenses and underwriting discounts, we received a total of approximately $390 million in net proceeds from the issuance of the Senior Notes and the ARP Shares.

The Offering

We may offer, from time to time, up to $500,000,000 of our securities, on terms to be determined at the time of the offering. We will offer our securities at prices and on terms to be set forth in one or more supplements to this prospectus. Preferred stock and debt securities (collectively, senior securities) may be auction rate securities, in which case the senior securities will not be listed on any exchange or automated quotation system. Rather, investors generally may only buy and sell senior securities through an auction conducted by an auction agent and participating broker-dealers.

While the aggregate number and amount of securities we may issue pursuant to this registration statement is limited to $500,000,000 of securities, our Board of Directors (the Board of Directors or the Board) may, without any action by the stockholders, amend our Charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. The securities may be sold from time to time in one or more transactions at fixed prices, at prevailing market prices at the time of sale, prices related to prevailing market prices, at varying prices determined at the time of sale or at negotiated prices.

We may offer and sell our securities to or through underwriters, through dealers or agents that we designate from time to time, directly to purchasers or through a combination of these methods. If an offering of securities involves any underwriters, dealers or agents, then the applicable prospectus supplement will name the underwriters, dealers or agents and will provide information regarding any applicable purchase price, fee, commission or discount arrangements made with those underwriters, dealers or agents or the basis upon which such amount may be calculated. See Plan of Distribution. We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our securities.

Our Portfolio Investments

Our investments in the securities of MLPs and other Midstream Energy Companies are principally in equity securities issued by MLPs. Generally, we invest in equity securities of (i) master limited partnerships, including preferred, common and subordinated units and general partner interests, (ii) owners of such interests in master limited partnerships, and (iii) other Midstream Energy Companies. Finally, we may also, from time to time, invest in debt securities of MLPs and other Midstream Energy Companies with varying maturities of up to 30 years.

We intend to invest at least 50% of our total assets in publicly traded (i.e., freely tradable) securities of MLPs and other Midstream Energy Companies and may invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies. We may invest up to 15% of our total assets in any single issuer.

We may invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities rated, at the time of investment, at least B3 by Moody s Investors Service, Inc., B– by Standard & Poor s or Fitch Ratings, or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may include unrated debt securities of private companies.

On a limited basis, we may also use derivative investments to hedge against interest rate and market risks. We may also utilize short sales to hedge such risks and as part of short sale investment strategies.

About Our Investment Adviser

KA Fund Advisors, LLC (KAFA) is our investment adviser, responsible for implementing and administering our investment strategy. KAFA is a subsidiary of Kayne Anderson Capital Advisors, L.P. (KACALP and together with KAFA, Kayne Anderson), a SEC-registered investment adviser. As of November 30, 2006, Kayne Anderson and its affiliates managed approximately $7.0 billion, including approximately $3.3 billion in MLPs and other Midstream Energy Companies. Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998. We believe that Kayne Anderson has developed an understanding of the MLP market that enables it to identify and take advantage of public MLP investment opportunities. In addition, Kayne Anderson s senior professionals have developed a strong reputation in the energy sector and have many long-term relationships with industry managers, which we believe gives Kayne Anderson an important advantage in sourcing and structuring private investments.

Use of Financial Leverage

The issuance of our debt securities and preferred stock represents the leveraging of our common stock. The issuance of additional common stock offered by this prospectus will enable us to increase the aggregate amount of our leverage. The net asset value of our common stock will be reduced by the fees and issuance costs of any preferred stock we issue.

We may leverage through the issuance of debt and preferred securities offered hereby, our revolving credit facility or other borrowings. The timing and terms of any leverage transactions will be determined by our Board of Directors. The use of leverage involves significant risks and creates a greater risk of loss, as well as potential for more gain, for holders of our common stock than if leverage is not used. Throughout this prospectus, our debt securities, including Senior Notes, our revolving credit facility or other borrowings are collectively referred to as Borrowings. See Risk Factors Risks Related to Our Common Stock Leverage Risk to Common Stockholders at page 14.

Our Borrowings and our preferred stock, including the ARP Shares (each a Leverage Instrument and collectively, the Leverage Instruments) may constitute, in the aggregate, up to 30% of our total assets, which includes assets obtained through such financial leverage. Leverage Instruments have seniority in liquidation and distribution rights over our common stock. Costs associated with any issuance of preferred stock are borne immediately by common stockholders and result in a reduction of the net asset value of our common stock. See Use of Leverage at page 35.

Because Kayne Anderson s fee is based upon a percentage of our average total assets, Kayne Anderson s fee is likely to be higher since we employ leverage. Therefore, Kayne Anderson has a financial incentive to use leverage, which may create a conflict of interest between Kayne Anderson and our common stockholders. There can be no assurance that our leveraging strategy will be successful during any period in which it is used. The use of leverage involves significant risks. See Risk Factors Risks Related to Our Common Stock Leverage Risk to Common Stockholders at page 14 and Risks Related to Our Senior Securities Senior Leverage Risk to Preferred Stockholders at page 18.

Dividends and Interest

As of the date of this prospectus, we have paid dividends to common stockholders every fiscal quarter since inception, significant portions of which have been characterized as returns of capital for federal income tax purposes. We expect that a significant portion of our future dividends will be treated as a return of capital to stockholders for tax purposes. We intend to continue to pay quarterly dividends to our common stockholders. Our quarterly dividends, if any, will be determined by our Board of Directors. We will pay dividends and interest on our preferred stock and debt securities, respectively, in accordance with their terms. For more information, see Dividends and Tax Matters at pages 28 and 55.

Use of Proceeds

Unless otherwise specified in a prospectus supplement, we will invest the net proceeds of any sales of securities in accordance with our investment objective and policies within approximately 3 months of receipt of such proceeds. See Use of Proceeds at page 10.

Taxation

We are treated as a corporation for federal income tax purposes and, as a result, unlike most investment companies, we are subject to corporate income tax to the extent we recognize taxable income. As a partner in MLPs, we have to report our allocable share of each MLP s taxable income or loss in computing our taxable income or loss, whether or not we actually receive any cash from such MLP. See Tax Matters at page 55.

Risk Management Techniques

We may, but are not required to, use various hedging and other transactions to seek to manage interest rate and market risks. See Risk Factors Risks Related to Our Common Stock Leverage Risk to Common Stockholders at page 14, Risks Related to Our Senior Securities Senior Leverage Risk to Preferred Stockholders at page 18, Risks Related to Our Investments and Investment Techniques Derivatives Risk at page 25, and Investment Objective and Policies

Investment Practices Hedging and Other Risk Management Transactions at page 33 in this prospectus and Our Investments Our Use of Derivatives, Options and Hedging Transactions, in our SAI. There is no guarantee we will use these risk management techniques.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

We are a non-diversified, closed-end management investment company registered under the 1940 Act, and formed as a Maryland corporation in June 2004. Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol KYN. On September 28, 2004, we issued 30,000,000 shares of common stock, par value $0.001 per share, in an initial public offering. On October 22, 2004 and November 16, 2004, we issued an additional 1,500,000 and 1,661,900 shares of common stock, respectively, in connection with partial exercises by the underwriters of their over allotment option. The proceeds of the initial public offering and subsequent exercises of the over allotment option of common stock were approximately $786 million after the payment of offering expenses and underwriting discounts. We completed a secondary public offering of our common stock on October 17, 2005. After the payment of offering expenses and underwriting discounts, we received approximately $77 million from the proceeds of the secondary public offering. On April 12, 2005, we issued an aggregate amount of $75 million of ARP Shares. The ARP Shares are rated Aa and AA by Moody s and Fitch, respectively. After the payment of offering expenses and underwriting discounts, we received a total of approximately $74 million in net proceeds from the issuance of the ARP Shares. As of November 30, 2006, the aggregate amount of ARP Shares represented approximately 4.4% of our total assets. We issued Series A, B and C Notes, in an aggregate principal amount of $260 million, on March 28, 2005 and Series E Notes, in an aggregate principal amount of $60 million, on December 14, 2005. Our Senior Notes are rated Aaa and AAA by Moody s and Fitch, respectively. After the payment of offering expenses and underwriting discounts, we received a total of approximately $316 million in net proceeds from the issuance of Senior Notes. As of November 30, 2006, the aggregate principal amount of Senior Notes represented approximately 18.6% of our total assets. Our Senior Notes are on a parity with each other.

As of the date of this prospectus, we have paid dividends to common stockholders every fiscal quarter since inception. The following table sets forth information about dividends we paid to our common stockholders, percentage participation by common stockholders in our dividend reinvestment program and reinvestments and related issuances of additional shares of common stock as a result of such participation (the information in the table is unaudited):

Dividend Payment Date to Common Stockholders	Amount of Dividend Per Share	Percentage of Common Stockholders Electing to Participate in Dividend Reinvestment Program for Dividend	Amount of Corresponding Reinvestment through Dividend Reinvestment Program	Additional Shares of Common Stock Issued through Dividend Reinvestment Program
January 14, 2005	$ 0.25	65%	$ 5,400,602	222,522
April 15, 2005	0.41	51%	7,042,073	288,020
July 15, 2005	0.415	47%	6,570,925	249,656
October 14, 2005	0.42	47%	6,251,280	249,453
January 12, 2006	0.425	42%	6,627,404	263,620
April 13, 2006	0.43	39%	6,312,557	203,318

July 13, 2006	0.44	37%	6,183,973	204,423
October 13, 2006	0.45	34%	5,864,353	217,924
January 12, 2007	0.47	32%	5,717,595	200,336

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The following table sets forth information about our outstanding securities as of November 30, 2006 (the information in the table is unaudited):

Title of Class	Amount of Shares/ Aggregate Principal Amount Authorized	Amount Held by Us or for Our Account	Amount Outstanding
Common Stock	199,990,000	0	38,064,836
Series D Auction Rate Preferred Stock(1)	10,000	0	3,000
Auction Rate Senior Notes			
Series A	$85,000,000	0	$ 85,000,000
Series B	85,000,000	0	85,000,000
Series C	90,000,000	0	90,000,000
Series E	60,000,000	0	60,000,000

(1) Each share has a liquidation preference of $25,000 ($75,000,000 aggregate liquidation preference for outstanding shares).

We issued 4,000 shares of our common stock in a private placement to provide us with seed capital prior to our initial public offering of common stock. Those shares are held by an affiliate of Kayne Anderson.

Our principal office is located at 1800 Avenue of the Stars, Second Floor Los Angeles, CA 90067, and our telephone number is (877) 657-3863/MLP-FUND.

FEES AND EXPENSES

The following table contains information about the costs and expenses that common stockholders will bear directly or indirectly. The table assumes that we use leverage representing 30% of our total assets. The Annual Expense table below assumes that leverage is increased from its level of 23.9% on November 30, 2006 to an assumed level of 30% by increasing its outstanding Senior Notes.

Stockholder Transaction Expenses:	
Sales Load Paid by You (as a percentage of offering price)(1)	%
Offering Expenses Borne by Us (as a percentage of offering price)(2)	%
Dividend Reinvestment Plan Fees(3)	None
Total stockholder transaction expenses (as a percentage of offering price)(4)	%

	Percentage of Net Assets Attributable to Common Stock (assumes leverage is increased to 30%)(5)
Annual Expenses:	
Management Fees(6)	2.07%
Interest Payments on Borrowed Funds(7)(8)(12)	2.38%
Dividend Payments on Preferred Stock(8)(9)(12)	0.38%
Other Expenses (exclusive of current and deferred income tax expenses)	0.22%
Annual Expenses (exclusive of current and deferred income tax expenses)	5.05%
Current Income Tax Expense (Benefit)(10)	(0.01)%
Deferred Income Tax Expense(11)	12.30%
Total Annual Expenses (including current and deferred income tax expenses)	17.34%

(1) The sales load will apply only if the securities to which this prospectus relates are sold to or through underwriters. In such case, a corresponding prospectus supplement will disclose the applicable sales load.

(2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.

(3) The expenses of administering our dividend reinvestment plan are included in Other Expenses. You will pay brokerage charges if you direct American Stock Transfer & Trust Company, as agent for our common stockholders (the Plan Administrator), to sell your common stock held in a dividend reinvestment account. See Dividend Reinvestment Plan.

(4) The related prospectus supplement will disclose the offering price and the total stockholder transaction expenses as a percentage of the offering price.

(5) Leverage representing 23.9% of our total assets at November 30, 2006 is assumed to increase to 30% for purposes of calculating annual expenses in the table. The increased leverage is assumed to be from the issuance of additional Senior Notes. The annual expenses in the table assume no additional issuances of ARP Shares or common stock and no interest rate swap agreements.

(6) Under the Investment Management Agreement, effective for periods commencing on or after December 12, 2006, the management fee is calculated at an annual rate of 1.375% of our average total assets. In the table above, management fees are calculated based on average total assets for the fiscal year ended November 30, 2006, as adjusted for assumed additional leverage equal to 30%. Annual expenses of 2.07% are calculated as a percentage of net assets attributable to common stock as of November 30, 2006, which results in a higher percentage than the percentage attributable to average total assets. See Management Investment Management Agreement at page 42.

(7) Interest Payments on Borrowed Funds in the table reflect the interest and offering expense borne by us in connection with the issuance of Borrowings as a percentage of our net assets, based on interest rates in effect as of November 30, 2006, which rates were as follows: Senior Notes Series A, 5.05%; Senior Notes Series B, 5.05%; Senior Notes Series C, 5.24%; Senior Notes Series E, 5.05%; and revolving credit line, 6.32%.

(8) Interest payment obligations on our Borrowings and dividend payment obligations on our ARP Shares have been hedged in part by interest rate swap agreements. These estimated payments made or received on our interest rate swap agreements are not included in annual expenses. As of November 30, 2006, we had interest rate swap agreements with a notional amount of $270 million. The average interest rate payable under these agreements was 4.46% as compared to the variable benchmark (1-month London Interbank Offered Rate) rate of 5.35%. As of November 30, 2006, our interest rate swap agreements would decrease Annual Expenses by 0.22% of net assets attributable to common stock.

(9) Dividend Payments on Preferred Stock in the table reflect the dividends paid by us in connection with our ARP Shares as a percentage of our net assets, based on the dividend rate of 5.28% in effect as of November 30, 2006.

(10) The current tax benefit related to our net investment loss was $0.1 million for the fiscal year ended November 30, 2006.

(11) For the fiscal year ended November 30, 2006, we accrued $135.7 million in net deferred tax expense on our net investment loss, realized gains and unrealized gains.

(12) As of November 30, 2006, we had $412 million in Leverage Instruments outstanding (Senior Notes in an aggregate principal amount of $320 million; $17 million aggregate principal amount borrowed under our revolving credit line; and ARP Shares with an aggregate liquidation preference of $75 million). Such Leverage Instruments represent 23.9% of total assets as of November 30, 2006. In accordance with these leverage assumptions, our expenses would be estimated as follows:

Percentage of Net Assets Attributable to Common Stock
(assumes actual leverage as of November 30, 2006)

Annual Expenses:	
Management Fees(a)	1.88%
Interest Payments on Borrowed Funds(b)(d)	1.66%
Dividend Payments on Preferred Stock(c)(d)	0.38%
Other Expenses (exclusive of current and deferred income tax expenses)	0.22%
Annual Expenses (exclusive of current and deferred income tax expenses)	4.14%
Current Income Tax Expense (Benefit)(e)	(0.01)%
Deferred Income Tax Expense(f)	12.30%
Total Annual Expenses (including current and deferred income tax expenses)	16.43%

(a) Under the Investment Management Agreement, effective for periods commencing on or after December 12, 2006, the management fee is calculated at an annual rate of 1.375% of our average total assets. In the table above, estimated management fees are calculated at the annual rate of 1.375% multiplied by our average total assets for the fiscal year ended November 30, 2006. Annual expenses of 1.88% are calculated as a percentage of net assets attributable to common stock as of November 30, 2006, which results in a higher percentage than the percentage attributable to average total assets. See Management Investment Management Agreement at page 42.

(b) Interest Payments on Borrowed Funds in the table reflect the interest and offering expense borne by us in connection with the issuance of Borrowings as a percentage of our net assets, based on interest rates in effect as of November 30, 2006, which rates were as follows: Senior Notes Series A, 5.05%; Senior Notes Series B, 5.05%; Senior Notes Series C, 5.24%; Senior Notes Series E, 5.05%; and revolving credit line, 6.32%.

(c) Dividend Payments on Preferred Stock in the table reflect the dividends paid by us in connection with our ARP Shares as a percentage of our net assets, based on the dividend rate of 5.28% in effect as of November 30, 2006.

(d) Interest payment obligations on our Borrowings and dividend payment obligations on our ARP Shares have been hedged in part by interest rate swap agreements. These estimated payments made or received on our interest rate swap agreements are not included in annual expenses. As of November 30, 2006, we had interest rate swap agreements with a notional amount of $270 million. The average interest rate payable under these agreements was 4.46% as compared to the variable benchmark (1-month London

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Interbank Offered Rate) rate of 5.35%. As of November 30, 2006, our interest rate swap agreements would decrease Annual Expenses by 0.22% of net assets attributable to common stock.

(e) The current tax benefit related to our net investment loss was $0.1 million for the fiscal year ended November 30, 2006.

(f) For the fiscal year ended November 30, 2006, we accrued $135.7 million in net deferred tax expense on our net investment loss, realized gains and unrealized gains.

The purpose of the first table above and the example below is to help you understand all fees and expenses that you would bear directly or indirectly as a holder of our common stock. See Management at page 38 and Dividend Reinvestment Plan at page 29.

Example

The following example illustrates the expenses that common stockholders would pay on a $1,000 investment in our common stock, assuming a 6.20% interest and dividend yield on total assets, a 5% annual appreciation in net assets (prior to reinvestment of dividends and distributions) and expenses based on a management fee of 1.375% of average total assets and a 37.0% tax rate. Based on these assumptions, annual expenses before tax are 4.37% of net assets attributable to our common stock in year 1 and total annual expenses after tax are 6.68% of net assets attributable to our common stock in year 1. The following example also assumes that all dividends and distributions are reinvested at net asset value.

	1 Year	3 Years	5 Years	10 Years
Before tax(1)	$ 48	$ 145	$ 247	$ 535
After tax(1)(2)	$ 74	$ 223	$ 381	$ 825

(1) Expenses include the 1.375% annual management fee payable to KAFA as a percentage of average total assets.

(2) Taxes calculated based on an assumed 5% annual appreciation in net assets (prior to reinvestment of dividends and distributions).

THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES. The example assumes that the estimated Other Expenses set forth in the Annual Expenses table are accurate and that all dividends and distributions are reinvested at net asset value and that we are engaged in leverage of 30% of total assets, assuming a 5.41% cost of leverage. The example above assumes that leverage is increased from its level of 23.9% on November 30, 2006 to an assumed level of 30% by increasing its outstanding Senior Notes. The cost of leverage is expressed as a blended interest/dividend rate and represents the weighted average cost on our Leverage Instruments, excluding the impacts of our interest rate swap agreements at November 30, 2006, plus the weighted average cost of additional Senior Notes. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN. Moreover, our actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

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FINANCIAL HIGHLIGHTS

The Financial Highlights for the period September 28, 2004 through November 30, 2004 and for the fiscal years ended November 30, 2005 and 2006, including accompanying notes thereto and the report of PricewaterhouseCoopers LLP thereon, contained in the following document filed by us with the SEC are hereby incorporated by reference into, and are made part of, this prospectus: Our Annual Report to Stockholders for the year ended November 30, 2006 contained in its Form N-CSR filed with the SEC on February 7, 2007). A copy of such Annual Report to Stockholders must accompany the delivery of this prospectus.

MARKET AND NET ASSET VALUE INFORMATION

Our currently outstanding shares of common stock are listed on the NYSE under the symbol KYN. Our common stock commenced trading on the NYSE on September 28, 2004.

Our common stock has traded both at a premium and at a discount in relation to its net asset value. Although our common stock recently has been trading at a premium to net asset value, there can be no assurance that this will continue after the offering or that our common stock will not trade at a discount in the future. Our issuance of common stock may have an adverse effect on prices in the secondary market for our common stock by increasing the number of shares of common stock available, which may put downward pressure on the market price for our common stock. The continued development of alternatives to us as a vehicle for investment in a portfolio of MLPs, including other publicly traded investment companies and private funds, may reduce or eliminate any tendency of our common stock to trade at a premium in the future. Shares of closed-end investment companies frequently trade at a discount to net asset value. See Risk Factors Risks Related to Our Common Stock Market Discount From Net Asset Value Risk on page 14.

The following table sets forth for each of the dates indicated the closing market prices for our shares on the NYSE, the net asset value per share of common stock and the premium or discount to net asset value per share at which our shares were trading. Net asset value is generally determined on the last business day of each calendar month. See Net Asset Value on page 43 for information as to the determination of our net asset value.

Month Ended	Closing Market Price	Net Asset Value Per Share of Common Stock(1)	Premium/(Discount) to Net Asset Value
September 28, 2004	$ 25.00	$ 23.70	5.5%
October 31, 2004	25.08	23.73	5.7
November 30, 2004	24.90	23.91	4.1
December 31, 2004	25.00	24.25	3.1
January 31, 2005	25.00	25.03	(0.1)
February 28, 2005	26.05	25.27	3.1
March 31, 2005	26.22	24.90	5.3
April 30, 2005	26.00	24.92	4.3
May 31, 2005	26.00	25.19	3.2
June 30, 2005	26.75	26.01	2.8
July 31, 2005	27.97	26.86	4.1

August 31, 2005	27.60	26.63	3.6
September 30, 2005	28.06	26.74	4.9
October 31, 2005	25.91	25.98	(0.3)
November 30, 2005	24.33	25.07	(3.0)
December 30, 2005	24.34	24.87	(2.1)
January 31, 2006	25.40	25.67	(1.1)
February 28, 2006	25.43	25.48	(0.2)
March 31, 2006	25.98	25.93	0.2
April 30, 2006	25.68	25.85	(0.7)

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Month Ended	Closing Market Price	Net Asset Value Per Share of Common Stock(1)	Premium/(Discount) to Net Asset Value
May 31, 2006	25.78	26.48	(2.6)
June 30, 2006	25.65	26.29	(2.4)
July 31, 2006	26.55	26.73	(0.7)
August 31, 2006	27.68	27.37	1.1
September 30, 2006	27.84	27.13	2.6
October 31, 2006	28.89	28.05	3.0
November 30, 2006	31.39	28.99	8.3
December 31, 2006	32.98	29.38	12.3
January 31, 2007	32.55	30.17	7.9
February 28, 2007	32.91	30.97	6.3

Source of market prices: Reuters Group PLC.

(1) Based on our net asset value calculated on the close of business on the last day of each calendar month.

As of November 30, 2006, we had 38,064,836 shares of common stock outstanding and our net assets applicable to common stockholders were $1,103,392.

USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement, we will invest the net proceeds of any sales of securities in accordance with our investment objective and policies within approximately three months of receipt of such proceeds. Pending such investment, we anticipate investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. A delay in the anticipated use of proceeds could lower returns, reduce our distribution to common stockholders and reduce the amount of cash available to make dividend and interest payments on preferred stock and debt securities, respectively.

RISK FACTORS

Risk is inherent in all investing. The following discussion summarizes some of the risks that a potential common stockholder should consider before deciding whether to invest in our common stock offered hereby. For additional information about the risks associated with investing in our common stock, see Our Investments in our SAI.

Risks Related to Our Business and Structure

Competition Risk

At the time we completed our initial public offering in September 2004, we were one of the few publicly traded investment companies offering access to a portfolio of MLPs and other Midstream Energy Companies. There are now a limited number of other companies, including other publicly traded investment companies and private funds, which may serve as alternatives to us for investment in a portfolio of MLPs and other Midstream Energy Companies. In addition, tax law changes have increased, and future tax law changes may again increase, the ability of mutual funds and other regulated investment companies or other institutions to invest in MLPs. These competitive conditions may positively impact MLPs in which we invest, but may also adversely impact our ability to make desired investments in the MLP market.

Management Risk; Dependence on Key Personnel of Kayne Anderson

Our portfolio is subject to management risk because it is actively managed. Kayne Anderson applies investment techniques and risk analyses in making investment decisions for us, but there can be no guarantee that they will produce the desired results.

We depend upon Kayne Anderson s key personnel for our future success and upon their access to certain individuals and investments in the midstream energy industry. In particular, we depend on the diligence, skill and network of business contacts of our portfolio managers, who evaluate, negotiate, structure, close and monitor our investments. These individuals do not have long-term employment contracts with Kayne Anderson, although they do have equity interests and other financial incentives to remain with Kayne Anderson. For a description of Kayne Anderson, see Management Investment Adviser at page 40. We also depend on the senior management of Kayne Anderson. The departure of any of our portfolio managers or the senior management of Kayne Anderson could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Kayne Anderson will remain our investment adviser or that we will continue to have access to Kayne Anderson s industry contacts and deal flow.

Conflicts of Interest of Kayne Anderson

Conflicts of interest may arise because Kayne Anderson and its affiliates generally carry on substantial investment activities for other clients, in which we will have no interest. Kayne Anderson or its affiliates may have financial incentives to favor certain of such accounts over us. Any of their proprietary accounts and other customer accounts may compete with us for specific trades. Kayne Anderson or its affiliates may buy or sell securities for us which differ from securities bought or sold for other accounts and customers, even though their investment objectives and policies may be similar to ours. Situations may occur when we could be disadvantaged because of the investment activities conducted by Kayne Anderson and its affiliates for their other accounts. Such situations may be based on, among other things, legal or internal restrictions on the combined size of positions that may be taken for us and the other accounts, thereby limiting the size of our position, or the difficulty of liquidating an investment for us and the other accounts where the market cannot absorb the sale of the combined position.

Our investment opportunities may be limited by affiliations of Kayne Anderson or its affiliates with MLPs or other Midstream Energy Companies. Additionally, to the extent that Kayne Anderson sources and structures private investments in MLPs, certain employees of Kayne Anderson may become aware of actions planned by MLPs, such as acquisitions, that may not be announced to the public. It is possible that we could be precluded from investing in an MLP about which Kayne Anderson has material non-public information; however, it is Kayne Anderson s

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intention to ensure that any material non-public information available to certain Kayne Anderson employees not be shared with those employees responsible for the purchase and sale of publicly traded MLP securities.

KAFA also manages Kayne Anderson Energy Total Return Fund, Inc., a closed end investment company listed on the New York Stock Exchange under the ticker KYE, and Kayne Anderson Energy Development Company, a business development company listed on the New York Stock Exchange under the ticker KED, and KACALP manages several private investment funds (collectively, Affiliated Funds). Some of the Affiliated Funds have investment objectives that are similar to or overlap with ours. In particular, certain Affiliated Funds invest in MLPs and other Midstream Energy Companies. Further, Kayne Anderson may at some time in the future, manage other investment funds with the same investment objective as ours.

Investment decisions for us are made independently from those of Kayne Anderson s other clients; however, from time to time, the same investment decision may be made for more than one fund or account. When two or more clients advised by Kayne Anderson or its affiliates seek to purchase or sell the same publicly traded securities, the securities actually purchased or sold are allocated among the clients on a good faith equitable basis by Kayne Anderson in its discretion in accordance with the clients various investment objectives and procedures adopted by Kayne Anderson and approved by our Board of Directors. In some cases, this system may adversely affect the price or size of the position we may obtain. In other cases, however, our ability to participate in volume transactions may produce better execution for us.

From time to time, we may control or may be an affiliate of one or more of our portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, we would control a portfolio company if we owned 25% or more of its outstanding voting securities and would be an affiliate of a portfolio company if we owned 5% or more of its outstanding voting securities. The 1940 Act contains prohibitions and restrictions relating to transactions between investment companies and their affiliates (including our investment adviser), principal underwriters and affiliates of those affiliates or underwriters. Under these restrictions, we and any portfolio company that we control are generally prohibited from knowingly participating in a joint transaction, including co-investments in a portfolio company, with an affiliated person, including any of our directors or officers, our investment adviser or any entity controlled or advised by any of them. These restrictions also generally prohibit our affiliates, principal underwriters and affiliates of those affiliates or underwriters from knowingly purchasing from or selling to us or any portfolio company that we control certain securities or other property and from lending to and borrowing from us or any portfolio company that we control monies or other properties.

We believe that there is significant ambiguity in the application of existing SEC staff interpretations of the term voting security to complex structures such as privately negotiated limited partnership interests of the kind in which we invest. As a result, it is possible that the SEC staff may consider that the certain securities investments in private limited partnerships are voting securities under the staff s prevailing interpretations of this term. If such determination is made, we may be regarded as a person affiliated with and controlling the issuer(s) of those securities for purposes of Section 17 of the 1940 Act.

In light of the ambiguity of the definition of voting securities, we do not intend to treat any class of securities we hold as voting securities unless the security holders of such class have the ability, under the partnership agreement, to remove the general partner (assuming a sufficient vote of such securities, other than securities held by the general partner, in favor of such removal) or we have an economic interest of sufficient size that otherwise gives us the de facto power to exercise a controlling influence over the partnership. We believe this treatment is appropriate given that the general partner controls the partnership, and without the ability to remove the general partner or the power to otherwise exercise a controlling influence over the partnership due to the size of an economic interest, the security holders have no control over the partnership.

There is no assurance that the SEC staff will not consider that other limited partnership securities that we own and do not treat as voting securities are, in fact, voting securities for the purposes of Section 17 of the 1940 Act. If such determination were made, we will be required to abide by the restrictions on control or affiliate transactions as proscribed in the 1940 Act. We or any portfolio company that we control, and our affiliates, may from time to time engage in certain of such joint transactions, purchases, sales and loans in reliance upon and in compliance with the conditions of certain exemptive rules promulgated by the SEC. We cannot assure you, however, that we would be able to satisfy the conditions of these rules with respect to any particular eligible transaction, or even if we were allowed to engage in such a transaction that the terms would be more or as favorable to us or any company that we control as those that could be obtained in arms length transaction. As a result of these prohibitions, restrictions may be imposed on the size of positions that may be taken for us or on the type of investments that we could make.

As discussed above, under the 1940 Act, we and our affiliates, including Affiliated Funds, may be precluded from co-investing in private placements of securities, including in any portfolio companies that we control. Except as permitted by law, Kayne Anderson will not co-invest its other clients assets in the private transactions in which we invest. Kayne Anderson will allocate private investment opportunities among its clients, including us, based on allocation policies that take into account several suitability factors, including the size of the investment opportunity, the amount each client has available for investment and the client s investment objectives. These allocation policies may result in the allocation of investment opportunities to an Affiliated Fund rather than to us. The policies contemplate that Kayne Anderson will exercise discretion, based on several factors relevant to the determination, in allocating the entirety, or a portion, of such investment opportunities to an Affiliated Fund, in priority to other prospectively interested advisory clients, including us. In this regard, when applied to specified investment opportunities that would normally be suitable for us, the allocation policies may result in certain Affiliated Funds having greater priority than us to participate in such opportunities depending on the totality of the considerations, including, among other things, our available capital for investment, our existing holdings, applicable tax and diversification standards to which we may then be subject and the ability to efficiently liquidate a portion of our existing portfolio in a timely and prudent fashion in the time period required to fund the transaction.

The investment management fee paid to Kayne Anderson is based on the value of our assets, as periodically determined. A significant percentage of our assets may be illiquid securities acquired in private transactions for which market quotations will not be readily available. Although we will adopt valuation procedures designed to determine valuations of illiquid securities in a manner that reflects their fair value, there typically is a range of prices that may be established for each individual security. Senior management of Kayne Anderson, our Board of Directors and its Valuation Committee, and a third-party valuation firm will participate in the valuation of our securities. See Net Asset Value at page 43.

Certain Affiliations

We are affiliated with KA Associates, Inc., an NASD member broker-dealer. Absent an exemption from the SEC or other regulatory relief, we are generally precluded from effecting certain principal transactions with affiliated brokers, and our ability to utilize affiliated brokers for agency transactions is subject to restrictions. This could limit our ability to engage in securities transactions and take advantage of market opportunities. In addition, until completion of this offering, we will be precluded from effecting principal transactions with brokers who are members of the syndicate. Unless stated otherwise in the related prospectus supplement, KA Associates, Inc. may be a member of a selling group for an offering of our securities.

Valuation Risk

Market prices may not be readily available for subordinated units, direct ownership of general partner interests, restricted or unregistered securities of certain MLPs or interests in private companies, and the value of such investments will ordinarily be determined based on fair valuations determined by the Board of Directors or its designee pursuant to procedures adopted by the Board of Directors. Restrictions on resale or the absence of a liquid secondary market may adversely affect our ability to determine our net asset value. The sale price of securities that are not readily marketable may be lower or higher than our most recent determination of their fair value. Additionally, the value of these securities typically requires more reliance on the judgment of Kayne Anderson than that required for securities for which there is an active trading market. Due to the difficulty in valuing these securities and the absence of an active trading market for these investments, we may not be able to realize these securities true value or may have to delay their sale in order to do so. In addition, we will rely to some extent on information provided by the MLPs, which may not necessarily be timely, to estimate taxable income allocable to the MLP units held in our portfolio and to estimate associated deferred tax liability for purposes of financial statement reporting and determining our net asset value. From time to time, we will modify our estimates or assumptions regarding our deferred tax liability as new information becomes available. To the extent we modify our estimates or assumptions, our net asset value would likely fluctuate. See Net Asset Value at page 43.

Inflation Risk

Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of our securities, dividends and interest that we pay can decline.

Anti-Takeover Provisions

Our Charter, Bylaws and the Maryland General Corporation Law include provisions that could limit the ability of other entities or persons to acquire control of us, to convert us to open-end status, or to change the composition of our Board of Directors. We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our Charter classifying our Board of Directors in three classes serving staggered three-year terms, and provisions authorizing our Board of Directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our Charter, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our Charter and Bylaws, could have the effect of discouraging, delaying, deferring or preventing a transaction or a change in control that might otherwise be in the best interests of our stockholders. As a result, these provisions may deprive our common stockholders of opportunities to sell their common stock at a premium over the then current market price of our common stock. See Description of Capital Stock at page 45.

Risks Related to Our Common Stock

Market Discount From Net Asset Value Risk

Our common stock has traded both at a premium and at a discount to our net asset value. The last reported sale price, net asset value per share and percentage premium to net asset value per share of our common stock on February 28, 2007 were $32.91, $30.97 and 6.3%, respectively. There is no assurance that this premium will continue after the date of this prospectus or that our common stock will not again trade at a discount. Shares of closed-end investment companies frequently trade at a discount to their net asset value. This characteristic is a risk separate and distinct from the risk that our net asset value could decrease as a result of our investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. Although the value of our net assets is generally considered by market participants in determining whether to purchase or sell shares, whether investors will realize gains or losses upon the sale of our common stock will depend entirely upon whether the market price of our common stock at the time of sale is above or below the investor s purchase price for our common stock. Because the market price of our common stock is affected by factors such as net asset value, dividend or distribution levels (which are dependent, in part, on expenses), supply of and demand for our common stock, stability of dividends or distributions, trading volume of our common stock, general market and economic conditions, and other factors beyond our control, we cannot predict whether our common stock will trade at, below or above net asset value or at, below or above the offering price.

Leverage Risk to Common Stockholders

The issuance of Leverage Instruments, including those offered by this prospectus and any related prospectus supplement, represent the leveraging of our common stock. Leverage is a technique that could adversely affect our common stockholders. Unless the income and capital appreciation, if any, on securities acquired with the proceeds from Leverage Instruments exceed the costs of the leverage, the use of leverage could cause us to lose money. When leverage is used, the net asset value and market value of our common stock will be more volatile. There is no assurance that our use of leverage will be successful.

Our common stockholders bear the costs of leverage through higher operating expenses. Our common stockholders also bear management fees, whereas, holders of Senior Notes or any preferred stock that we may issue, do not bear management fees. Because management fees are based on our total assets, our use of leverage increases the effective management fee borne by our common stockholders. In addition, the issuance of additional senior debt securities or preferred stock by us would result in offering expenses and other costs, which would ultimately be borne by our common stockholders. Fluctuations in interest rates could increase our interest or dividend payments on Leverage Instruments and could reduce cash available for distributions on common stock. Certain Leverage Instruments are subject to covenants regarding asset coverage, portfolio composition and other matters, which may affect our ability to pay distributions to our common stockholders in certain instances. We may also be required to pledge our assets to the lenders in connection with certain other types of borrowing.

Leverage involves other risks and special considerations for common stockholders including: the likelihood of greater volatility of net asset value and market price of our common stock than a comparable portfolio without leverage; the risk of fluctuations in dividend rates or interest rates on Leverage Instruments; that the dividends or interest paid on Leverage Instruments may reduce the returns to our common stockholders or result in fluctuations in the dividends paid on our common stock; the effect of leverage in a declining market, which is likely to cause a greater decline in the net asset value of our common stock than if we were not leveraged, which may result in a greater decline in the market price of our common stock; and when we use financial leverage, the investment management fee payable to Kayne Anderson may be higher than if we did not use leverage.

Leverage Instruments constitute a substantial lien and burden by reason of their prior claim against our income and against our net assets in liquidation. The rights of lenders to receive payments of interest on and repayments of principal of any Borrowings are senior to the rights of holders of common stock and preferred stock, with respect to the payment of dividends or upon liquidation. We may not be permitted to declare dividends or other distributions, including dividends and distributions with respect to common stock or preferred stock or purchase common stock or preferred stock unless at such time, we meet certain asset coverage requirements and no event of default exists under any Borrowing. In addition, we may not be permitted to pay dividends on common stock unless all dividends on the preferred stock and/or accrued interest on Borrowings have been paid, or set aside for payment. In an event of default under any Borrowing, the lenders have the right to cause a liquidation of collateral (*i.e.*, sell MLP units and other of our assets) and, if any such default is not cured, the lenders may be able to control the liquidation as well. Certain types of leverage may result in our being subject to covenants relating to asset coverage and our portfolio composition and may impose special restrictions on our use of various investment techniques or strategies or in our ability to pay dividends and other distributions on common stock in certain instances. We may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for Leverage Instruments issued by us. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. Kayne Anderson does not believe that these covenants or guidelines will impede it from managing our portfolio in accordance with our investment objective and policies.

While we may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and net asset value associated with leverage, there can be no assurance that we will actually reduce leverage in the future or that any reduction, if undertaken, will benefit our common stockholders. Changes in the future direction of interest rates are very difficult to predict accurately. If we were to reduce leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction in leverage would likely operate to reduce the income and/or total returns to common stockholders relative to the circumstance if we had not reduced leverage. We may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and the price of our common stock if the prediction were to turn out to be correct, and determine not to reduce leverage as described above.

Finally, the 1940 Act provides certain rights and protections for preferred stockholders which may adversely affect the interests of our common stockholders. See Description of Preferred Stock at page 48.

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Risks Related to Our Senior Securities

An investment in our preferred stock or debt securities (collectively, senior securities) is subject to the following additional risks:

Interest Rate Risk

Interest rate risk is the risk that equity and debt securities will decline in value because of changes in market interest rates. Our auction rate senior securities pay dividends or interest based on short-term interest rates. If short-term interest rates rise, dividend or interest rates on our auction rate senior securities may rise so that the amount of dividends or interest payable to holders of our auction rate senior securities would exceed the amount of income from our portfolio securities. This might require us to sell portfolio securities at a time when we otherwise would not do so, which may affect adversely our future earnings ability. While we intend to manage this risk through interest rate transactions, there is no guarantee that we will implement these strategies or that we will be successful in reducing or eliminating interest rate risk. In addition, rising market interest rates could impact negatively the value of our investment portfolio, reducing the amount of assets serving as asset coverage for our senior securities.

MLP yields are susceptible in the short-term to fluctuations in interest rates and, like treasury bonds, the prices of MLP securities typically increase when interest rates fall and decline when interest rates rise. Because we will principally invest in MLP equity securities, the net asset value and market price of our common stock may decline if interest rates rise. See Risks Related to Our Investments and Investment Techniques Energy Sector Risk. A material decline in the net asset value of our common stock may impair our ability to maintain required levels of asset coverage for our senior securities.

Certain debt instruments, particularly below-investment-grade securities, may contain call or redemption provisions which would allow the issuer of the securities to prepay principal prior to the debt instrument s stated maturity. This is known as prepayment risk. Prepayment risk is greater during a falling interest rate environment as issuers can reduce their cost of capital by refinancing higher yielding debt instruments with lower yielding debt instruments. An issuer also may elect to refinance its debt instruments with lower yielding debt instruments if the credit standing of the issuer improves. To the extent debt securities in our portfolio are called or redeemed, we may be forced to reinvest in lower yielding securities.

Auction Risk

To the extent that senior securities trade through an auction, you may not be able to sell your senior securities at an auction if the auction fails; that is, if there are more senior securities offered for sale than there are buyers for those securities. Also, if you place a bid order to retain senior securities at an auction only at a specified rate, and that specified bid rate exceeds the rate set at the auction, you will not retain your senior securities. Finally, if you buy senior securities or elect to retain senior securities without specifying a rate below which you would not wish to continue to hold those senior securities, and the auction sets a below-market rate, you may receive a lower rate of return on your senior securities than the market rate. See Description of Preferred Stock and Description of Debt Securities.

As noted above, if there are more senior securities offered for sale than there are buyers for those senior securities in any auction, the auction will fail and you may not be able to sell some or all of your senior securities at that time. The relative buying and selling interest of market participants in your senior securities and in the auction rate securities market as a whole will vary over time, and such variations may be affected by, among other things, news relating to the issuer, the attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), the tax treatment accorded the instruments, the accounting treatment accorded auction rate securities, including recent clarifications of U.S. generally accepted accounting principles relating to the treatment of auction rate securities, reactions to regulatory actions or press reports, financial reporting cycles and market sentiment generally. Shifts of demand in response to any one or simultaneous particular events cannot be predicted and may be short-lived or exist for longer periods.

A broker-dealer may submit orders in auctions for its own account. Any broker-dealer submitting an order for its own account in any auction will have an advantage over other bidders in that it would have knowledge of other

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orders placed through it in that auction (but it would not have knowledge of orders submitted by other broker dealers, if any). As a result of the broker-dealer bidding, the auction clearing rate may be higher or lower than the rate that would have prevailed if the broker-dealer had not bid. A broker dealer may also bid in order to prevent what would otherwise be a failed auction, an all-hold auction or an auction clearing at a rate that the broker-dealer believes does not reflect the market for such securities at the time of the auction. Broker-dealers may, but are not obligated to, advise holders of our senior securities that the rate that will apply in an all hold auction is often a lower rate than would apply if holders submit bids, and such advice, if given, may facilitate the submission of bids by existing holders that would avoid the occurrence of an all hold auction. A broker dealer may, but is not obligated to, encourage additional or revised investor bidding in order to prevent an all-hold auction.

Underwriters and various other broker-dealers and other firms that participate in the auction rate securities market received letters from the staff of the Securities and Exchange Commission (the SEC) in the spring of 2004. The letters requested that each of these firms voluntarily conduct an investigation regarding its respective practices and procedures in that market. Pursuant to these requests, certain of these firms conducted voluntary reviews and reported findings to the SEC staff. At the SEC staff s request, certain of these firms are engaging in discussions with the SEC staff concerning its inquiry. We can not predict the ultimate outcome of the inquiry or how that outcome will affect the market for our senior securities or the auctions.

Ratings and Asset Coverage Risk

Moody s and Fitch have assigned ratings of Aa and AA respectively, to outstanding ARP Shares and ratings of Aaa and AAA, respectively, to outstanding Senior Notes. To the extent that senior securities offered hereby are rated of similar or the same ratings as those respectively assigned to outstanding ARP Shares and Senior Notes or at all, the ratings do not eliminate or necessarily mitigate the risks of investing in our senior securities. A rating may not fully or accurately reflect all of the credit and market risks associated with a senior security. A rating agency could downgrade our senior securities, which may make your securities less liquid at an auction or in the secondary market, though probably with higher resulting dividend or interest rates. If a rating agency downgrades the ratings assigned to our senior securities, we may be required to alter our portfolio or redeem our senior securities. We may voluntarily redeem our senior securities under certain circumstances to the extent permitted under the terms of such securities, which may require that we meet specified asset maintenance tests and other requirements.

We have issued Senior Notes and may offer and issue additional debt securities hereby, which constitute or will constitute senior securities representing indebtedness, as defined in the 1940 Act. Accordingly, the value of our total assets, less all our liabilities and indebtedness not represented by such Senior Notes and debt securities, must be at least equal to 300% of the aggregate principal value of such Senior Notes and debt securities. Upon the issuance of our preferred stock, the value of our total assets, less all our liabilities and indebtedness not represented by senior securities must be at least equal, immediately after the issuance of preferred stock, to 200% of the aggregate principal value of any Senior Notes and debt securities and our preferred stock and the ARP Shares.

To the extent that senior securities offered hereby are rated of investment grade quality, asset coverage or portfolio composition provisions in addition to, and more stringent than, those required by the 1940 Act may be imposed in connection with the issuance of such ratings. In addition, restrictions have been and may be imposed by the rating agencies on certain investment practices in which we may otherwise engage. Any lender with respect to any additional Borrowings by us may require additional asset coverage and portfolio composition provisions as well as restrictions on our investment practices.

Inflation Risk

Inflation is the reduction in the purchasing power of money resulting from the increase in the price of goods and services. Inflation risk is the risk that the inflation adjusted or real value of your investment in our senior securities or the income from that investment will be worthless in the future than the amount you originally paid. As inflation occurs, the real value of our senior securities and dividends payable to holders of our preferred stock or interest payable to holders of our debt securities declines.

Trading Market Risk

Our senior securities will not be listed on an exchange or quoted on any automated quotation system. Instead, to the extent that senior securities trade through an auction, you may buy or sell senior securities at an auction by submitting orders to a broker-dealer that has entered into an agreement with an auction agent, or to a broker-dealer that has entered into a separate agreement with a broker-dealer. Auctions will be held periodically in accordance with the terms of our senior securities. Broker-dealers may maintain a secondary trading market in our senior securities outside of auctions, if any, but may discontinue this activity at any time. There is no assurance that any secondary market that may develop will provide holders of our senior securities with liquidity. We are not required to redeem our senior securities either if an auction or an attempted secondary market sale fails. You may transfer our senior securities outside of auctions only to or through a broker-dealer or to us or any of our affiliates, in certain cases. If you try to sell your senior securities between auctions, if any, you may not be able to sell any or all of your senior securities, or you may not be able to sell preferred stock for the liquidation preference plus accumulated dividends or you may not be able to sell debt securities in the $25,000 increments for which they were purchased plus accrued and unpaid interest. You may receive less than the price you paid for them, especially when market interest rates have risen since the last auction, if any.

Decline in Net Asset Value Risk

A material decline in the net asset value of our common stock may impair our ability to maintain required levels of asset coverage for our senior securities.

Senior Leverage Risk to Preferred Stockholders

Because we have outstanding Borrowings and may issue additional debt securities hereby, which are senior to our preferred stock, we are prohibited from declaring, paying or making any dividends or distributions on our preferred stock unless we satisfy certain conditions. We are also prohibited from declaring, paying or making any dividends or distributions on common stock unless we satisfy certain conditions. See Description of Preferred Stock Limitations on Dividends, Distributions and Redemptions.

Our Borrowings may constitute a substantial burden on our preferred stock by reason of their prior claim against our income and against our net assets in liquidation. We may not be permitted to declare dividends or other distributions, including with respect to our preferred stock, or purchase or redeem shares, including preferred stock, unless (1) at the time thereof we meet certain asset coverage requirements and (2) there is no event of default under our Borrowings that is continuing. See Description of Preferred Stock Limitations on Dividends, Distributions and Redemptions. In the event of a default under our Borrowings, the holders of our debt securities have the right to accelerate the maturity of debt securities and the trustee may institute judicial proceedings against us to enforce the rights of holders of debt securities.

Unsecured Investment Risk to Holders of Our Debt Securities

Our debt securities represent our unsecured obligation to pay interest and principal, when due. We cannot assure you that we will have sufficient funds or that we will be able to arrange for additional financing to pay interest on our debt securities when due or to repay our debt securities at their stated maturity. Our failure to pay interest on our debt securities when due or to repay our debt securities upon their stated maturity would, subject to the cure provisions under the indenture pursuant to which they are issued, constitute an event of default under the indenture and could cause a default under other agreements that we may enter into from time to time. There is no sinking fund with respect to our debt securities, and at their stated maturity, the entire outstanding principal amount of our debt securities will become due and payable. See Description of Debt Securities Events of Default and Acceleration of Maturity of Debt Securities; Remedies at page 52.

Holders of Our Debt Securities May Be Subordinated to Other Debt

The indenture for our debt securities permits us, in certain circumstances, to incur additional indebtedness, including secured indebtedness. Our debt securities are effectively subordinated in right of payment to any of our secured indebtedness or other secured obligations to the extent of the value of the assets that secure the indebtedness or obligation. The full amount of any borrowings incurred under our revolving credit line with Custodial Trust Company (our custodian and an affiliate of our administrator) would be effectively senior to our debt securities because we are required to pledge as collateral, and the lender would have a higher priority perfected lien upon, certain portfolio securities having an aggregate value of not less than our total obligations owed on these borrowings. In the event of our bankruptcy, liquidation or reorganization or upon acceleration of our debt securities, payment on our debt securities could be later or less, ratably, than on any of our secured indebtedness. In these circumstances, holders of obligations secured by liens on collateral will be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before holders of our debt securities, who will only have an unsecured claim against our remaining assets, if any. As of November 30, 2006, we had $17 million aggregate principal amount borrowed under our revolving credit line (all of which was secured and is effectively senior to our debt securities), and we anticipate that from time to time we will incur additional secured indebtedness in the future. Our secured indebtedness is combined with our other indebtedness for purposes of determining our compliance with regulatory limits on total leverage.

Risks Related to Our Investments and Investment Techniques

Investment and Market Risk

An investment in our securities is subject to investment risk, including the possible loss of the entire amount that you invest. Your investment in our securities represents an indirect investment in the securities owned by us, some of which will be traded on a national securities exchange or in the over-the-counter markets. An investment in our securities is not intended to constitute a complete investment program and should not be viewed as such. The value of these publicly traded securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The value of the securities in which we invest may affect the value of our securities. Your securities at any point in time may be worth less than your original investment, even after taking into account the reinvestment of our dividends. We are primarily a long-term investment vehicle and should not be used for short-term trading.

Energy Sector Risk

Certain risks inherent in investing in MLPs and other Midstream Energy Companies include the following:

Supply and Demand Risk. A decrease in the production of natural gas, natural gas liquids, crude oil, coal or other energy commodities or a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution may adversely impact the financial performance of MLPs and other Midstream Energy Companies. Production declines and volume decreases could be caused by various factors, including catastrophic events affecting production, depletion of resources, labor difficulties, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems, import supply disruption, increased competition from alternative energy sources or commodity prices. Alternatively, a sustained decline in demand for such commodities could also adversely affect the financial performance of MLPs and other Midstream Energy Companies. Factors which could lead to a decline in demand include economic recession or other adverse economic conditions, higher fuel taxes or governmental regulations, increases in fuel economy, consumer shifts to the use of alternative fuel sources, changes in commodity prices, or weather.

Depletion and Exploration Risk. Many MLPs and other Midstream Energy Companies are either engaged in the production of natural gas, natural gas liquids, crude oil, refined petroleum products or coal, or are engaged in transporting, storing, distributing and processing these items on behalf of shippers. To maintain or grow their revenues, these companies or their customers need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources, through acquisitions, or through long-term contracts to acquire reserves. The financial performance of MLPs and other Midstream Energy Companies may be adversely affected if they, or the companies to whom they provide the service, are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline.

Regulatory Risk. MLPs and other Midstream Energy Companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services they provide. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of MLPs and other Midstream Energy Companies.

Commodity Pricing Risk. The operations and financial performance of MLPs and other Midstream Energy Companies may be directly affected by energy commodity prices, especially those MLPs and other Midstream Energy Companies which own the underlying energy commodity. Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices, which may lead to a reduction in production or supply, may also negatively impact the performance of MLPs and other Midstream Energy Companies which are solely involved in the transportation, processing, storing, distribution or marketing of commodities. Volatility of commodity prices may also make it more difficult for MLPs and other Midstream Energy Companies to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices.

Acquisition Risk. The abilities of MLPs to grow and to increase distributions to unitholders can be highly dependent on their ability to make acquisitions that result in an increase in adjusted operating surplus per unit. In the event that MLPs are unable to make such accretive acquisitions because they are unable to identify attractive acquisition candidates, negotiate acceptable purchase contracts, because they are unable to raise financing for such acquisitions on economically acceptable terms, or because they are outbid by competitors, their future growth and ability to raise distributions will be limited. Furthermore, even if MLPs do consummate acquisitions that they believe will be accretive, the acquisitions may instead result in a decrease in adjusted operating surplus per unit. Any acquisition involves risks, including, among other things: mistaken assumptions about revenues and costs, including synergies; the assumption of unknown liabilities; limitations on rights to indemnity from the seller; the diversion of management s attention from other business concerns; unforeseen difficulties operating in new product or geographic areas; and customer or key employee losses at the acquired businesses.

Interest Rate Risk. Rising interest rates could adversely impact the financial performance of MLPs and other Midstream Energy Companies by increasing their costs of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner.

MLP valuations are based on numerous factors, including sector and business fundamentals, management expertise, and expectations of future operating results. However, MLP yields are also susceptible in the short-term to fluctuations in interest rates and like Treasury bonds, the prices of MLP securities typically decline when interest rates rise. Because we will principally invest in MLP equity securities, our investment in such securities means that the net asset value and market price of our common stock may decline if interest rates rise.

Affiliated Party Risk. Certain MLPs are dependent on their parents or sponsors for a majority of their revenues. Any failure by an MLP s parents or sponsors to satisfy their payments or obligations would impact the MLP s revenues and cash flows and ability to make distributions.

Catastrophe Risk. The operations of MLPs and other Midstream Energy Companies are subject to many hazards inherent in the transporting, processing, storing, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, coal, refined petroleum products or other hydrocarbons, or in the exploring, managing or producing of such commodities, including: damage to pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism; inadvertent damage from construction and farm equipment; leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons; fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. Not all MLPs and other Midstream Energy Companies are fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect their operations and financial condition.

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Terrorism/Market Disruption Risk. The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the economy and the securities markets. United States military and related action in Iraq is ongoing and events in the Middle East could have significant adverse effects on the U.S. economy and the stock market. Uncertainty surrounding retaliatory military strikes or a sustained military campaign may affect MLP and other Midstream Energy Company operations in unpredictable ways, including disruptions of fuel supplies and markets, and transmission and distribution facilities could be direct targets, or indirect casualties, of an act of terror. The U.S. government has issued warnings that energy assets, specifically the United States pipeline infrastructure, may be the future target of terrorist organizations. In addition, changes in the insurance markets have made certain types of insurance more difficult, if not impossible, to obtain and have generally resulted in increased premium costs.

MLP Risks. An investment in MLP units involves some risks which differ from an investment in the common stock of a corporation. Holders of MLP units have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units and conflicts of interest exist between common unit holders and the general partner, including those arising from incentive distribution payments.

MLPs and Other Midstream Energy Company Risk

MLPs and other Midstream Energy Companies are also subject to risks that are specific to the industry they serve.

MLPs and other Midstream Energy Companies that provide crude oil, refined product and natural gas services are subject to supply and demand fluctuations in the markets they serve which will be impacted by a wide range of factors, including fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, accidents or catastrophic events, and economic conditions, among others.

MLPs and other Midstream Energy Companies with propane assets are subject to earnings variability based upon weather conditions in the markets they serve, fluctuating commodity prices, increased use of alternative fuels, increased governmental or environmental regulation, and accidents or catastrophic events, among others.

MLPs and other Midstream Energy Companies with coal assets are subject to supply and demand fluctuations in the markets they serve, which will be impacted by a wide range of factors including, fluctuating commodity prices, the level of their customers coal stockpiles, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, mining accidents or catastrophic events, health claims and economic conditions, among others.

MLPs and other Energy Companies engaged in the exploration and production business are subject to overstatement of the quantities of their reserves based upon any reserve estimates that prove to be inaccurate, that no commercially productive oil, natural gas or other energy reservoirs will be discovered as a result of drilling or other exploration activities, the curtailment, delay or cancellation of exploration activities are as a result of a unexpected conditions or miscalculations, title problems, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with environmental and other governmental requirements and cost of, or shortages or delays in the availability of, drilling rigs and other exploration equipment, and operational risks and hazards associated with the development of the underlying properties, including natural disasters, blowouts, explosions, fires, leakage of crude oil, natural gas or other resources, mechanical failures, cratering, and pollution.

Cash Flow Risk

A substantial portion of the cash flow received by us is derived from our investment in equity securities of MLPs. The amount of cash that an MLP has available for distributions and the tax character of such distributions are dependent upon the amount of cash generated by the MLP s operations. Cash available for distribution will vary from quarter to quarter and is largely dependent on factors affecting the MLP s operations and factors affecting the energy industry in general. In addition to the risk factors described above, other factors which may reduce the amount of cash an MLP has available for distribution include increased operating costs, maintenance capital expenditures, acquisition costs, expansion, construction or exploration costs and borrowing costs.

Tax Risks

Tax Risk of MLPs. Our ability to meet our investment objective will depend on the level of taxable income and distributions and dividends we receive from the MLP and other Midstream Energy Company securities in which we invest, a factor over which we have no control. The benefit we derive from our investment in MLPs is largely dependent on the MLPs being treated as partnerships for federal income tax purposes. As a partnership, an MLP has no tax liability at the entity level. If, as a result of a change in current law or a change in an MLP s business, an MLP were treated as a corporation for federal income tax purposes, such MLP would be obligated to pay federal income tax on its income at the corporate tax rate. If an MLP were classified as a corporation for federal income tax purposes, the amount of cash available for distribution would be reduced and distributions received by us would be taxed under federal income tax laws applicable to corporate distributions (as dividend income, return of capital, or capital gain). Therefore, treatment of an MLP as a corporation for federal income tax purposes would result in a reduction in the after-tax return to us, likely causing a reduction in the value of our common stock.

Tax Law Change Risk. Changes in tax laws or regulations, or interpretations thereof in the future, could adversely affect us or the MLPs in which we invest. Any such changes could negatively impact our common stockholders. Legislation could also negatively impact the amount and tax characterization of dividends received by our common stockholders. Legislation reduces the tax rate on qualified dividend income to the rate applicable to long-term capital gains, which is generally 15% for individuals, provided a holding period requirement and certain other requirements are met. This reduced rate of tax on dividends is currently scheduled to revert to ordinary income rates for taxable years beginning after December 31, 2010 and the 15% federal income tax rate for long-term capital gain is scheduled to revert to 20% for such taxable years.

Deferred Tax Risks of MLPs. As a limited partner in the MLPs in which we invest, we will receive our distributive share of income, gains, losses, deductions, and credits from those MLPs. Historically, a significant portion of income from such MLPs has been offset by tax deductions. We will incur a current tax liability on our distributive share of an MLP s income and gains that is not offset by tax deductions, losses, and credits, or our net operating loss carryforwards, if any. The percentage of an MLP s income and gains which is offset by tax deductions, losses, and credits will fluctuate over time for various reasons. A significant slowdown in acquisition activity or capital spending by MLPs held in our portfolio could result in a reduction of accelerated depreciation generated by new acquisitions, which may result in increased current tax liability to us.

We will accrue deferred income taxes for our future tax liability associated with that portion of MLP distributions considered to be a tax-deferred return of capital as well as capital appreciation of our investments. Upon our sale of an MLP security, we may be liable for previously deferred taxes. We will rely to some extent on information provided by MLPs, which is not necessarily timely, to estimate deferred tax liability for purposes of financial statement reporting and determining our net asset value. From time to time we will modify our estimates or assumptions regarding our deferred tax liability as new information becomes available.

Deferred Tax Risks of Investing in our Common Stock. A reduction in the percentage of a distribution offset by tax deductions, losses, or credits or an increase in our portfolio turnover will reduce that portion of our common stock dividend treated as a tax-deferred return of capital and increase that portion treated as dividend income, resulting in lower after-tax dividends to our common stockholders. See the Tax Matters section at page 55 in this prospectus and also in our SAI.

Delay in Use of Proceeds

Although we intend to invest the proceeds of this offering in accordance with our investment objective as soon as practicable, such investments may be delayed if suitable investments are unavailable at the time or if we are unable to secure firm commitments for direct placements. Prior to the time we are fully invested, the proceeds of the offering may temporarily be invested in cash, cash equivalents or other securities. Income we received from these securities would likely be less than returns sought pursuant to our investment objective and policies. See Use of Proceeds at page 10.

Equity Securities Risk

MLP common units and other equity securities may be subject to general movements in the stock market, and a significant drop in the stock market may depress the price of securities to which we have exposure. MLP units and other equity securities prices fluctuate for several reasons, including changes in the financial condition of a particular issuer (generally measured in terms of distributable cash flow in the case of MLPs), investors perceptions of MLPs and other Midstream Energy Companies, the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, the prices of MLP units and other Midstream Energy Company equity securities may be sensitive to rising interest rates given their yield-based nature. Also, while not precise, the price of I-Shares and their volatility tend to correlate to the price of common units.

Certain of the MLPs and other Midstream Energy Companies in which we invest have comparatively smaller capitalizations than other companies. Investing in the securities of smaller MLPs and other Midstream Energy Companies presents some unique investment risks. These MLPs and other Midstream Energy Companies may have limited product lines and markets, as well as shorter operating histories, less experienced management and more limited financial resources than larger MLPs and other Midstream Energy Companies and may be more vulnerable to adverse general market or economic developments. Stocks of smaller MLPs and other Midstream Energy Companies may be less liquid than those of larger MLPs and other Midstream Energy Companies and may experience greater price fluctuations than larger MLPs and other Midstream Energy Companies. In addition, small-cap securities may not be widely followed by the investment community, which may result in reduced demand.

Liquidity Risk

Although common units of MLPs and common stocks of other Midstream Energy Companies trade on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX), and the NASDAQ Stock Market (NASDAQ), certain securities may trade less frequently, particularly those with smaller capitalizations. Securities with limited trading volumes may display volatile or erratic price movements. Also, Kayne Anderson is one of the largest investors in our investment sector. Thus, it may be more difficult for us to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. Larger purchases or sales of these securities by us in a short period of time may cause abnormal movements in the market price of these securities. As a result, these securities may be difficult to dispose of at a fair price at the times when we believe it is desirable to do so. These securities are also more difficult to value, and Kayne Anderson s judgment as to value will often be given greater weight than market quotations, if any exist. Investment of our capital in securities that are less actively traded or over time experience decreased trading volume may restrict our ability to take advantage of other market opportunities.

We also invest in unregistered or otherwise restricted securities. The term restricted securities refers to securities that are unregistered or are held by control persons of the issuer and securities that are subject to contractual restrictions on their resale. Unregistered securities are securities that cannot be sold publicly in the United States without registration under the Securities Act of 1933, as amended (the Securities Act), unless an exemption from such registration is available. Restricted securities may be more difficult to value and we may have difficulty disposing of such assets either in a timely manner or for a reasonable price. In order to dispose of an unregistered security, we, where we have contractual rights to do so, may have to cause such security to be registered. A considerable period may elapse between the time the decision is made to sell the security and the time the security is registered so that we could sell it. Contractual restrictions on the resale of securities vary in length and scope and are generally the result of a negotiation between the issuer and acquiror of the securities. We would, in either case, bear the risks of any downward price fluctuation during that period. The difficulties and delays associated with selling restricted securities could result in our inability to realize a favorable price upon disposition of such securities, and at times might make disposition of such securities impossible.

Our investments in restricted securities may include investments in private companies. Such securities are not registered under the Securities Act until the company becomes a public company. Accordingly, in addition to the risks described above, our ability to dispose of such securities on favorable terms would be limited until the portfolio company becomes a public company.

Non-Diversification Risk

We are a non-diversified, closed-end investment company under the 1940 Act and will not be treated as a regulated investment company under the Internal Revenue Code of 1986, as amended (the Code). Accordingly, there are no regulatory requirements under the 1940 Act or the Code on the minimum number or size of securities we hold. As of November 30, 2006, we held investments in 47 issuers.

Under normal market conditions, we intend to invest at least 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies. As of November 30, 2006, there were 51 publicly traded MLPs (partnerships) which manage and operate energy assets. We primarily select our investments in publicly traded securities from securities issued by MLPs in this small pool, together with securities issued by newly public MLPs, if any. We also invest in publicly traded securities issued by other Midstream Energy Companies.

As a result of selecting our investments from this small pool of publicly traded securities, a change in the value of the securities of any one of these publicly traded MLPs could have a significant impact on our portfolio. In addition, as there can be a correlation in the valuation of the securities of publicly traded MLPs, a change in value of the securities of one such MLP could negatively influence the valuations of the securities of other publicly traded MLPs that we may hold in our portfolio.

As we may invest up to 15% of our total assets in any single issuer, a decline in value of the securities of such an issuer could significantly impact the value of our portfolio.

Interest Rate Risk

Interest rate risk is the risk that securities will decline in value because of changes in market interest rates. The yields of equity and debt securities of MLPs are susceptible in the short-term to fluctuations in interest rates and, like Treasury bonds, the prices of these securities typically decline when interest rates rise. Accordingly, our net asset value and the market price of our common stock may decline when interest rates rise. Further, rising interest rates could adversely impact the financial performance of Energy Companies by increasing their costs of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner.

Certain debt instruments, particularly below investment grade securities, may contain call or redemption provisions which would allow the issuer thereof to prepay principal prior to the debt instrument s stated maturity. This is known as prepayment risk. Prepayment risk is greater during a falling interest rate environment as issuers can reduce their cost of capital by refinancing higher yielding debt instruments with lower yielding debt instruments. An issuer may also elect to refinance their debt instruments with lower yielding debt instruments if the credit standing of the issuer improves. To the extent debt securities in our portfolio are called or redeemed, we may be forced to reinvest in lower yielding securities.

Portfolio Turnover Risk

We anticipate that our annual portfolio turnover rate will range between 10%-25%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in Kayne Anderson s execution of investment decisions. The types of MLPs in which we intend to invest have historically made cash distributions to limited partners, the substantial portion of which would not be taxed as income to us in that tax year but rather would be treated as a non-taxable return of capital to the extent of our basis. As a result, most of the tax related to such distribution would be deferred until subsequent sale of our MLP units, at which time we would pay any required tax on gains. Therefore, the sooner we sell such MLP units, the sooner we would be required to pay tax on resulting gains, and the cash available to us to pay dividends to our common stockholders in the year of such tax payment would be less than if such taxes were deferred until a later year. These taxable gains may increase our current and accumulated earnings and profits, resulting in a greater portion of our common stock dividends being treated as income to our common stockholders. In addition, a higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by us. See Investment Objective and Policies Investment Practices Portfolio Turnover at page 34 and Tax Matters at page 55.

Derivatives Risk

We may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on securities, equity, fixed income and interest rate indices, and other financial instruments, enter into various interest rate transactions such as swaps, caps, floors or collars or credit transactions and credit default swaps. We also may purchase derivative investments that combine features of these instruments. The use of derivatives has risks, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative investments. Furthermore, the ability to successfully use these techniques depends on our ability to predict pertinent market movements, which cannot be assured. Thus, their use may result in losses greater than if they had not been used, may require us to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation we can realize on an investment or may cause us to hold a security that we might otherwise sell. Additionally, amounts paid by us as premiums and cash or other assets held in margin accounts with respect to derivative transactions are not otherwise available to us for investment purposes.

Depending on whether we would be entitled to receive net payments from the counterparty on a swap or cap, which in turn would depend on the general state of short-term interest rates at that point in time, a default by a counterparty could negatively impact the performance of our common stock. In addition, at the time an interest rate or commodity swap or cap transaction reaches its scheduled termination date, there is a risk that we would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of our common stock. If we fail to maintain any required asset coverage ratios in connection with any use by us of Leverage Instruments, we may be required to redeem or prepay some or all of the Leverage Instruments. Such redemption or prepayment would likely result in our seeking to terminate early all or a portion of any swap or cap transactions. Early termination of a swap could result in a termination payment by or to us. Early termination of a cap could result in a termination payment to us.

We segregate liquid assets against or otherwise cover our future obligations under such swap or cap transactions, in order to provide that our future commitments for which we have not segregated liquid assets against or otherwise covered, together with any outstanding Leverage Instruments, do not exceed 30% of our total assets. In addition, such transactions and other use of Leverage Instruments by us are subject to the asset coverage requirements of the 1940 Act, which generally restrict us from engaging in such transactions unless the value of our total assets less liabilities (other than the amount of such Leverage Instruments) is at least 300% of the principal amount of such Leverage Instruments. In other words, the principal amount of such Leverage Instruments may not exceed 331/3% of our total assets.

The use of interest rate and commodity swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. Depending on market conditions in general, our use of swaps or caps could enhance or harm the overall performance of our common stock. For example, we may use interest rate swaps and caps in connection with any use by us of Leverage Instruments. Under the terms of the outstanding interest rate swap agreements as of November 30, 2006, we are obligated to pay a weighted average rate of 4.46% on a notional amount of $270 million. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, and could result in a decline in the net asset value of our common stock. In addition, if short-term interest rates are lower than our fixed rate of payment on the interest rate swap, the swap will reduce common stock net earnings. Buying interest rate caps could decrease the net earnings of our common stock in the event that the premium paid by us to the counterparty exceeds the additional amount we would have been required to pay had we not entered into the cap agreement.

Interest rate and commodity swaps and caps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate and commodity swaps is limited to the net amount of interest payments that we are contractually obligated to make. If the counterparty defaults, we would not be able to use the anticipated net receipts under the swap or cap to offset any declines in the value of our portfolio assets being hedged or the increase in our cost of financial leverage. Depending on whether we would be entitled to receive net payments from the counterparty on the swap or cap, which in turn would depend on the general state of the market rates at that point in time, such a default could negatively impact the performance of our common stock.

Short Sales Risk

Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Our obligation to replace a borrowed security is secured by collateral deposited with the broker-dealer, usually cash, U.S. government securities or other liquid securities similar to those borrowed. We also are required to segregate similar collateral to the extent, if any, necessary so that the value of both collateral amounts in the aggregate is at all times equal to at least 100% of the current market value of the security sold short. Depending on arrangements made with the broker-dealer from which we borrowed the security regarding payment over of any payments received by us on such security, we may not receive any payments (including interest) on the collateral deposited with such broker-dealer.

Debt Securities Risks

Debt securities in which we invest are subject to many of the risks described elsewhere in this section. In addition, they are subject to credit risk, prepayment risk and, depending on their quality, other special risks.

Credit Risk. An issuer of a debt security may be unable to make interest payments and repay principal. We could lose money if the issuer of a debt obligation is, or is perceived to be, unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of a security may further decrease its value.

Prepayment Risk. Certain debt instruments, particularly below investment grade securities, may contain call or redemption provisions which would allow the issuer thereof to prepay principal prior to the debt instrument s stated maturity. This is known as prepayment risk. Prepayment risk is greater during a falling interest rate environment as issuers can reduce their cost of capital by refinancing higher yielding debt instruments with lower yielding debt instruments. An issuer may also elect to refinance their debt instruments with lower yielding debt instruments if the credit standing of the issuer improves. To the extent debt securities in our portfolio are called or redeemed, we may be forced to reinvest in lower yielding securities.

Below Investment Grade and Unrated Debt Securities Risk. Below investment grade debt securities in which we may invest are rated from B3 to Ba1 by Moody s, from B− to BB+ by Fitch or Standard & Poor s, or comparably rated by another rating agency. Below investment grade and unrated debt securities generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following: greater yield and price volatility; greater credit risk and risk of default; potentially greater sensitivity to general economic or industry conditions; potential lack of attractive resale opportunities (illiquidity); and additional expenses to seek recovery from issuers who default.

In addition, the prices of these below investment grade and unrated debt securities are more sensitive to negative developments, such as a decline in the issuer s revenues, downturns in profitability in the energy industry or a general economic downturn, than are the prices of higher grade securities. Below investment grade and unrated debt securities tend to be less liquid than investment grade securities and the market for below investment grade and unrated debt securities could contract further under adverse market or economic conditions. In such a scenario, it may be more difficult for us to sell these securities in a timely manner or for as high a price as could be realized if such securities were more widely traded. The market value of below investment grade and unrated debt securities

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may be more volatile than the market value of investment grade securities and generally tends to reflect the market s perception of the creditworthiness of the issuer and short-term market developments to a greater extent than investment grade securities, which primarily reflect fluctuations in general levels of interest rates. In the event of a default by a below investment grade or unrated debt security held in our portfolio in the payment of principal or interest, we may incur additional expense to the extent we are required to seek recovery of such principal or interest. For a further description of below investment grade and unrated debt securities and the risks associated therewith, see Investment Policies in our SAI.

For a description of the ratings categories of certain rating agencies, see Appendix C to our SAI.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, those listed under Risk Factors in this prospectus and our SAI. In this prospectus, we use words such as anticipates, believes, expects, intends and similar expressions to identify forward-looking statements.

The forward-looking statements contained in this prospectus include statements as to:

- our operating results;
- our business prospects;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to source favorable private investments;
- the ability of the MLPs and other Midstream Energy Companies in which we invest to achieve their objectives;
- our expected financings and investments;
- our use of financial leverage;
- our tax status;
- the tax status of the MLPs in which we intend to invest;
- the adequacy of our cash resources and working capital; and
- the timing and amount of distributions and dividends from the MLPs and other Midstream Energy Companies in which we intend to invest.

We have based the forward-looking statements included in this prospectus on information available to us on the date of this prospectus, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including our annual reports. We acknowledge that, notwithstanding the foregoing statement, the safe harbor for forward-looking statements under the Private Securities Litigation Reform Act of 1995 does not apply to investment companies such as us.

DIVIDENDS

As of the date of this prospectus, we have paid dividends to common stockholders every full fiscal quarter since inception, on the dates and in the respective amounts set forth below:

Dividend Payment Date to Common Stockholders	Amount
January 14, 2005	$ 0.25
April 15, 2005	0.41
July 15, 2005	0.415
October 14, 2005	0.42
January 12, 2006	0.425
April 13, 2006	0.43
July 13, 2006	0.44
October 13, 2006	0.45
January 12, 2007	0.47

We intend to continue to pay quarterly dividends to our common stockholders, funded in part by our distributable cash flow. Our distributable cash flow is the amount received by us as cash or paid-in-kind distributions from MLPs or other Midstream Energy Companies, interest payments received on debt securities owned by us, other payments on securities owned by us and income tax benefits, if any, less current or anticipated operating expenses, taxes on our taxable income, if any, and our leverage costs. We expect that a significant portion of our future dividends will be treated as a return of capital to stockholders for tax purposes.

Our quarterly dividends to common stockholder are authorized by our Board of Directors out of funds legally available therefor. There is no assurance we will continue to pay regular dividends or that we will do so at a particular rate.

We pay dividends on ARP Shares in accordance with the terms thereof. ARP Shares pay adjustable rate dividends, which are redetermined periodically by an auction process. The adjustment period for dividends on ARP Shares could be as short as one day or as long as a year or more. As of November 30, 2006, the dividend rate on the ARP Shares was 5.28%. These dividend rate does not include commissions paid to the auction agent in the amount of 0.25% or the effect of our outstanding interest rate swap agreement as of November 30, 2006 (weighted average fixed rate of 4.46% on a notional amount of $270 million).

All of our realized capital gains, if any, net of applicable taxes, and any cash and other income from investments not distributed as a dividend will be retained by us. Unless you elect to receive your common stock dividends in cash, they will automatically be reinvested into additional common stock pursuant to our Dividend Reinvestment Plan.

The 1940 Act generally limits our long-term capital gain distributions to one per year. This limitation does not apply to that portion of our distributions that is not characterized as long-term capital gain (*e.g.*, return of capital or distribution of interest income). Although we have no current plans to do so, we may in the future apply to the SEC for an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting us to make periodic distributions of long-term capital gains provided that our distribution policy with respect to our common stock calls for periodic (e.g., quarterly) distributions in an amount equal to a fixed percentage of our average net asset value over a specified period of time or market price per common share at or about the time of distribution or pay-out of a level dollar amount. The exemption also would permit us to make distributions with respect to the ARP Shares and any shares of preferred stock that we may offer hereby in accordance with such shares terms. We cannot assure you that if we apply for this exemption, the requested relief will be granted by the SEC in a timely manner, if at all.

Because the cash distributions received from the MLPs in our portfolio are expected to exceed the earnings and profits associated with owning such MLPs, we expect that a significant portion of our dividends will be paid from sources other than our current or accumulated earnings, income or profits. The portion of the dividend which exceeds our current or accumulated earnings and profits will be treated as a return of capital to the extent of a stockholder s basis in our common stock, then as capital gain. See Tax Matters at page 55.

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DIVIDEND REINVESTMENT PLAN

We have adopted a Dividend Reinvestment Plan (the Plan) that provides that unless you elect to receive your dividends or other distributions in cash, they will be automatically reinvested by the Plan Administrator, American Stock Transfer & Trust Company, in additional shares of our common stock. If you elect to receive your dividends or other distributions in cash, you will receive them in cash paid by check mailed directly to you by the Plan Administrator.

No action is required on the part of a registered stockholder to have their cash dividend reinvested share of our common stock. Unless you or your brokerage firm decides to opt out of the Plan, the number of shares of common stock you will receive will be determined as follows:

(1) If our common stock is trading at or above net asset value at the time of valuation, we will issue new shares at a price equal to the greater of (i) our common stock s net asset value on that date or (ii) 95% of the market price of our common stock on that date.

(2) If our common stock is trading below net asset value at the time of valuation, the Plan Administrator will receive the dividend or distribution in cash and will purchase common stock in the open market, on the NYSE or elsewhere, for the participants accounts, except that the Plan Administrator will endeavor to terminate purchases in the open market and cause us to issue the remaining shares if, following the commencement of the purchases, the market value of the shares, including brokerage commissions, exceeds the net asset value at the time of valuation. Provided the Plan Administrator can terminate purchases on the open market, the remaining shares will be issued by us at a price equal to the greater of (i) the net asset value at the time of valuation or (ii) 95% of the then current market price. It is possible that the average purchase price per share paid by the Plan Administrator may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid entirely in common stock issued by us.

You may withdraw from the Plan at any time by giving written notice to the Plan Administrator, or by telephone in accordance with such reasonable requirements as we and the Plan Administrator may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Administrator will sell your shares and send you the proceeds, minus brokerage commissions. The Plan Administrator is authorized to deduct a $15 transaction fee plus a $0.10 per share brokerage commission from the proceeds.

The Plan Administrator maintains all common stockholders accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common stock in your account will be held by the Plan Administrator in non-certificated form. The Plan Administrator will forward to each participant any proxy solicitation material and will vote any shares so held only in accordance with proxies returned to us. Any proxy you receive will include all common stock you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in common stock. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Administrator when it makes open market purchases.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions. See Tax Matters at page 55.

If you hold your common stock with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

The Plan Administrator s fees under the Plan will be borne by us. There is no direct service charge to participants in the Plan; however, we reserve the right to amend or terminate the Plan, including amending the Plan to include a service charge payable by the participants, if in the judgment of the Board of Directors the change is warranted. Any amendment to the Plan, except amendments necessary or appropriate to comply with applicable law or the rules and policies of the SEC or any other regulatory authority, require us to provide at least 30 days written notice to each participant. Additional information about the Plan may be obtained from American Stock Transfer & Trust Company at 59 Maiden Lane, New York, New York 10038.

INVESTMENT OBJECTIVE AND POLICIES

Our investment objective is to obtain high after-tax total return by investing at least 85% of our total assets in public and private investments in MLPs and other Midstream Energy Companies. Our investment objective is considered a fundamental policy and therefore may not be changed without the approval of the holders of a majority of the outstanding voting securities. When used with respect to our voting securities, a majority of the outstanding voting securities means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. There can be no assurance that we will achieve our investment objective.

The following investment policies are considered non-fundamental and may be changed by the Board of Directors without the approval of the holders of a majority of the outstanding voting securities, provided that the holders of such voting securities receive at least 60 days prior written notice of any change:

- For as long as the word MLP is in our name, it shall be our policy, under normal market conditions, to invest at least 80% of our total assets in MLPs.

- We intend to invest at least 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies.

- Under normal market conditions, we may invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies. The types of unregistered or otherwise restricted securities that we may purchase include common units, subordinated units, preferred units, and convertible units of, and general partner interests in, MLPs, and securities of other public and private Midstream Energy Companies.

- We may invest up to 15% of our total assets in any single issuer.

- We may invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities rated, at the time of investment, at least B3 by Moody s, B– by Standard & Poor s or Fitch, comparably rated by another rating agency or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may include unrated debt securities of private companies.

- We may issue or use Leverage Instruments in an aggregate amount up to 30% of our total assets inclusive of such Leverage Instruments.

- We may, but are not required to, use derivative investments and engage in short sales to hedge against interest rate and market risks.

Unless otherwise stated, all investment restrictions apply at the time of purchase and we will not be required to reduce a position due solely to market value fluctuations.

Description of MLPs

Master Limited Partnerships. MLPs are limited partnerships, the partnership units of which are listed and traded on a U.S. securities exchange. To qualify as an MLP, a partnership must receive at least 90% of its income from qualifying sources as set forth in Section 7704(d) of the Code. These qualifying sources include natural resource-based activities such as the exploration, development, mining, production, processing, refining, transportation, storage and marketing of mineral or natural resources. MLPs generally have two classes of owners, the general partner and limited partners. The general partner is typically owned by a major energy company, an investment fund, the direct management of the MLP or is an entity owned by one or more of such parties. The general partner may be structured as a private or publicly traded corporation or other entity. The general partner typically controls the operations and management of the MLP through an up to 2% equity interest in the MLP plus, in many cases, ownership of common units and subordinated units. Limited partners own the remainder of the

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partnership, through ownership of common units, and have a limited role in the partnership s operations and management.

MLPs are typically structured such that common units and general partner interests have first priority to receive quarterly cash distributions up to an established minimum amount (minimum quarterly distributions or MQD). Common and general partner interests also accrue arrearages in distributions to the extent the MQD is not paid. Once common and general partner interests have been paid, subordinated units receive distributions of up to the MQD; however, subordinated units do not accrue arrearages. Distributable cash in excess of the MQD paid to both common and subordinated units is distributed to both common and subordinated units generally on a pro rata basis. The general partner is also eligible to receive incentive distributions if the general partner operates the business in a manner which results in distributions paid per common unit surpassing specified target levels. As the general partner increases cash distributions to the limited partners, the general partner receives an increasingly higher percentage of the incremental cash distributions. A common arrangement provides that the general partner can reach a tier where it receives 50% of every incremental dollar paid to common and subordinated unit holders. These incentive distributions encourage the general partner to streamline costs, increase capital expenditures and acquire assets in order to increase the partnership s cash flow and raise the quarterly cash distribution in order to reach higher tiers. Such results benefit all security holders of the MLP.

MLPs in which we invest are currently classified by us as pipeline MLPs, propane MLPs, coal MLPs and upstream MLPs.

> Pipeline MLPs are engaged in (a) the treating, gathering, compression, processing, transmission and storage of natural gas and the transportation, fractionation and storage of natural gas liquids (primarily propane, ethane, butane and natural gasoline); (b) the gathering, transportation, storage and terminalling of crude oil; and (c) the transportation (usually via pipelines, barges, rail cars and trucks), storage and terminalling of refined petroleum products (primarily gasoline, diesel fuel and jet fuel) and other hydrocarbon by-products. MLPs may also operate ancillary businesses including the marketing of the products and logistical services.

> Propane MLPs are engaged in the distribution of propane to homeowners for space and water heating and to commercial, industrial and agricultural customers. Propane serves approximately 3% of the household energy needs in the United States, largely for homes beyond the geographic reach of natural gas distribution pipelines. Volumes are weather dependent and a majority of annual cash flow is earned during the winter heating season (October through March).

> Coal MLPs are engaged in the owning, leasing, managing, production and sale of coal and coal reserves. Electricity generation is the primary use of coal in the United States. Demand for electricity and supply of alternative fuels to generators are the primary drivers of coal demand.

> Upstream MLPs are businesses engaged in the exploration, extraction, production and acquisition of natural gas and crude oil, from geological reservoirs. An Upstream MLP s cash flow and distributions are driven by the amount of oil and natural gas produced and the demand for and price of crude oil and natural gas.

For purposes of our investment objective, the term MLPs includes affiliates of MLPs that own general partner interests or, in some cases, subordinated units, registered or unregistered common units, or other limited partner units in an MLP.

Our Portfolio

At any given time, we expect that our portfolio will have some or all of the types of investments described below. A description of our investment policies and restrictions and more information about our portfolio investments are contained in this prospectus and our SAI.

Equity Securities of MLPs. Equity securities of MLPs include common units, subordinated units, I-Shares and general partner interests of such companies.

MLP common units represent a limited partnership interest in the MLP. Common units are listed and traded on U.S. securities exchanges or over-the-counter, with their value fluctuating predominantly based on prevailing market conditions and the success of the MLP. We intend to purchase common units in market transactions as well

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as directly from the MLP or other parties in private placements. Unlike owners of common stock of a corporation, owners of common units have limited voting rights and have no ability to annually elect directors. MLPs generally distribute all available cash flow (cash flow from operations less maintenance capital expenditures) in the form of quarterly distributions. Common units along with general partner units, have first priority to receive quarterly cash distributions up to the MQD and have arrearage rights. In the event of liquidation, common units have preference over subordinated units, but not debt or preferred units, to the remaining assets of the MLP.

MLP subordinated units are typically issued by MLPs to their original sponsors, such as their founders, corporate general partners of MLPs, entities that sell assets to the MLP, and investors such as us. We expect to purchase subordinated units directly from these persons as well as newly-issued subordinated units from MLPs themselves. Subordinated units have similar voting rights as common units and are generally not publicly traded. Once the MQD on the common units, including any arrearages, has been paid, subordinated units receive cash distributions up to the MQD prior to any incentive payments to the MLP s general partner. Unlike common units, subordinated units do not have arrearage rights. In the event of liquidation, common units and general partner interests have priority over subordinated units. Subordinated units are typically converted into common units on a one-to-one basis after certain time periods and/or performance targets have been satisfied. Subordinated units are generally valued based on the price of the common units, discounted to reflect the timing or likelihood of their conversion to common units.

MLP subordinated units in which we may invest generally convert to common units at a one-to-one ratio. The purchase or sale price of subordinated units is generally tied to the common unit price less a discount. The size of the discount varies depending on the likelihood of conversion, the length of time remaining to conversion, the size of the block purchased relative to trading volumes, and other factors, including smaller capitalization partnerships or companies potentially having limited product lines, markets or financial resources, lacking management depth or experience, and being more vulnerable to adverse general market or economic development than larger more established companies.

I-Shares represent an ownership interest issued by an affiliated party of an MLP. The MLP affiliate uses the proceeds from the sale of I-Shares to purchase limited partnership interests in the MLP in the form of i-units. I-units have similar features as MLP common units in terms of voting rights, liquidation preference and distributions. However, rather than receiving cash, the MLP affiliate receives additional i-units in an amount equal to the cash distributions received by MLP common units. Similarly, holders of I-Shares will receive additional I-Shares, in the same proportion as the MLP affiliates receipt of i-units, rather than cash distributions. I-Shares themselves have limited voting rights which are similar to those applicable to MLP common units. The MLP affiliate issuing the I-Shares is structured as a corporation for federal income tax purposes. The two existing I-Shares are traded on the NYSE.

General partner interests of MLPs are typically retained by an MLP s original sponsors, such as its founders, corporate partners, entities that sell assets to the MLP and investors such as us. A holder of general partner interests can be liable under certain circumstances for amounts greater than the amount of the holder s investment in the general partner interest. General partner interests often confer direct board participation rights and in many cases, operating control, over the MLP. These interests themselves are not publicly traded, although they may be owned by publicly traded entities. General partner interests receive cash distributions, typically 2% of the MLP s aggregate cash distributions, which are contractually defined in the partnership agreement. In addition, holders of general partner interests typically hold incentive distribution rights (IDRs), which provide them with a larger share of the aggregate MLP cash distributions as the distributions to limited partner unit holders are increased to prescribed levels. General partner interests generally cannot be converted into common units. The general partner interest can be redeemed by the MLP if the MLP unitholders choose to remove the general partner, typically with a supermajority vote by limited partner unitholders.

Equity Securities of Publicly Traded Midstream Energy Companies. Equity securities of publicly traded Midstream Energy Companies consist of common equity, preferred equity and other securities convertible into equity securities of such companies. Holders of common stock are typically entitled to one vote per share on all matters to be voted on by stockholders. Holders of preferred equity can be entitled to a wide range of voting and other rights, depending on the structure of each separate security. Securities co